



City Council

PACKET

FOR CITY OF BELLEVUE COUNCIL MEETING

JULY 6, 2004

Agenda

City Council

Study Session

MONDAY
July 6, 2004

6:00 – 8:00 p.m.
Council Conference Room

Page

1. Executive Session

(a) Pending litigation (*approximately 20 minutes*)

2. Study Session

(a) Development Services (DS) Performance Update

CMO/PCD
Jocelyn
Mathiasen/
Mike Brennan

2-1

(This discussion is in follow-up to the PCD budget presentation from the May 24, 2004 Extended Study Session. Council feedback is requested on management of the DS line of business, performance targets, and DS improvements initiatives.)

(b) 2005 – 2006 Operating Budget and 2005 – 2011
CIP Plan discussions – key drivers and policy
issues

FIN
Jan Hawn/
Joe Guinasso/
Jonathan Swift

2-17

- Revenue policies and alternatives for the
General Fund and Capital Investment Program

(c) Bond refunding for 1991 and 1994 Waterworks
Utility Bonds

FIN
Jan Hawn

2-36

*(This item is scheduled for action at July 29, 2004
Special Meeting)*

City Council meetings are wheelchair accessible. American Sign language (ASL) interpretation is available upon request. Please phone 452-6805 at least 48 hours in advance.



City of Bellevue

(d) Crossroads Community Center Expansion Update

PARK
Pam Ferhman/
Glenn Kost

2-106

(For information and discussion. Council previously approved Resolution No. 6983 for design services on April 26. Staff will return in Spring 2005 for award of the construction contract.)

3. Discussion

(Study Session may reconvene after the Regular Session if all items are not completed prior to 8:00 PM)

CITY COUNCIL STUDY SESSION ITEM

SUBJECT

Development Services Performance Update

STAFF CONTACT

Mike Brennan, Deputy Director, Development Services 425 452-4113

DIRECTION NEEDED FROM COUNCIL

☐ Action
☒ Discussion
☒ Information

POLICY ISSUES

- Is the City appropriately measuring performance for development services?
- Are the City's current plans to address workload fluctuations appropriate?
- Have the City's efforts to improve customer service and responsiveness in development services achieved the desired results?
- Are the planned areas of focus for future improvement appropriate?

BACKGROUND/ANALYSIS

Development review and inspection are major functions of the city. We issue approximately 10,000 permits and approvals and conduct over 55,000 inspections a year to ensure that buildings are safe and land uses appropriate, that traffic impacts are managed, and that utility and other infrastructure built as part of a development meet the city's standards for quality.

The Development Services Improvement (DSI) effort is an on-going city-wide effort to ensure excellence in the way that the city undertakes its permitting activities. The City's goal is to create a process for permitting that is fast, efficient, understandable, and consistent across departments.

The purpose of this presentation is to:

- Provide an update on permitting and inspections activity (including current and projected workload and financial performance)
- Update the Council on major DSI improvement activities, including activities that have been completed and planned initiatives for the coming year
- Review Development Services system performance

A. Permitting and Inspections Workload and Financial Projections

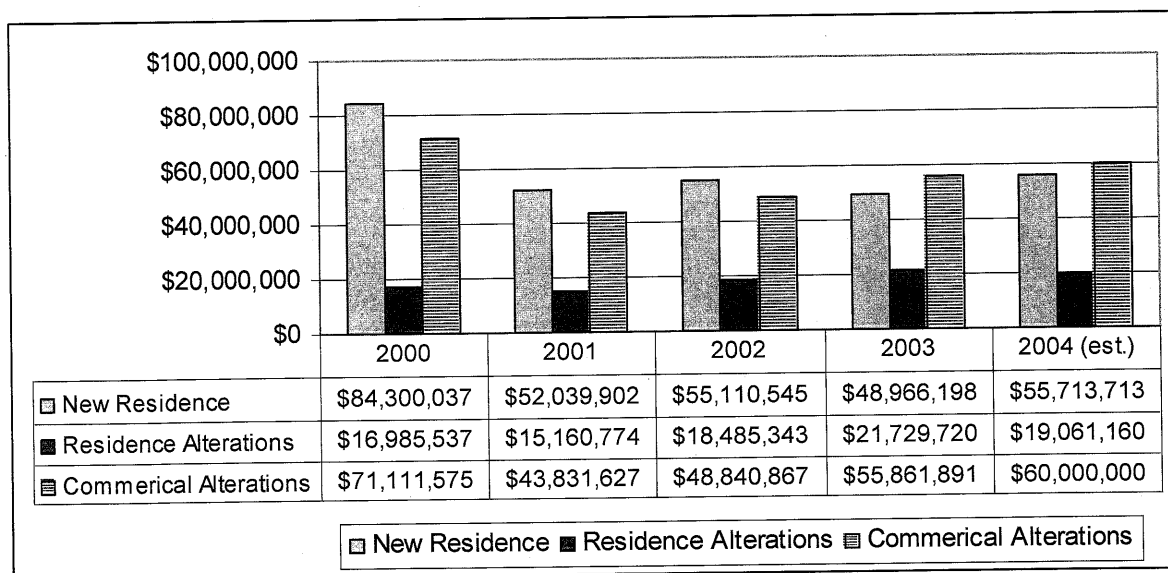
Workload

In 2003, we passed through the bottom of the development cycle and are now seeing an upward trend in permitting and inspection activities. The forecast for development services shows moderate growth in our core permitting, made up of high volume commercial and residential permits, of about 3-6% annually through 2005. This growth in core permitting is coupled with the start-up of several major projects downtown and, when combined, creates a noticeable bounce in development activity in the city and an increase in demand for permit review and inspection services.

Historical information on a few of the key factors driving the growth help paint the picture of what we are experiencing now and anticipating over the next two years. Single-family additions and remodels continue to stay strong, as interest rates remain low and stable. Although the Federal Reserve Bank recently increased a key interest rate by .25 percent, it is anticipated that the effect of monetary policy on interest rates will be gradual and moderate. Demand for single-family homes is expected to remain strong.

Tenant Improvements in existing office buildings continued their upward trend in 2003 as existing business expanded and new business were lured to town by quality office space and favorable lease rates. The first quarter of 2004 shows continued growth in this area of permitting.

Retail remains strong with a low vacancy rate and reasonably high sales figures. There is continued reinvestment in Bellevue Square and new tenants will come to Lincoln Square in 2005.



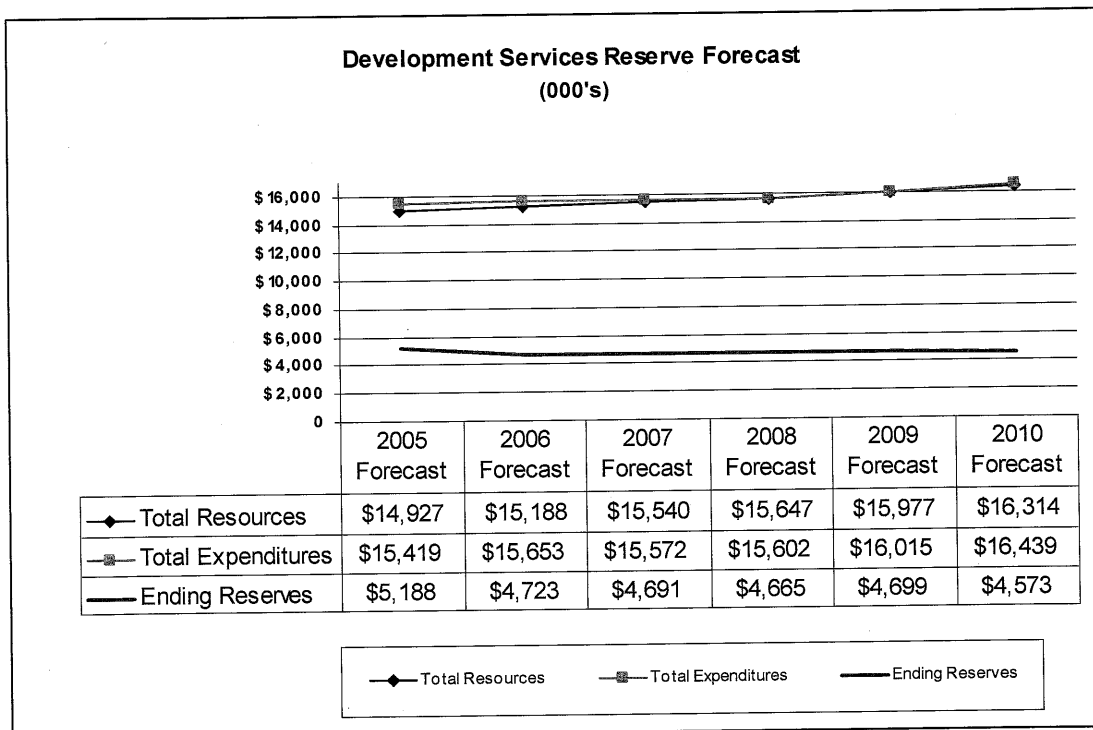
In addition to an expected increase in high-volume permit types, there are numerous large, high-profile projects that are expected to have a significant impact on workload. These include Lincoln Square, the New City Building, construction of new schools, and the second tower at the Summit. Other major potential developments over the next few years include

the Overlake Hospital expansion, Schnitzer Northwest Phase 1, Meydenbauer Center expansion, Avalon Bay, and Safeway.

Financial Forecast

With the increase in development activity we are experiencing growth in permit fee revenues as well. Building permit revenue for 2005 is expected to exceed budget by 10% in both plan review and inspection services; the first quarter 2004 results proving to be the strongest first quarter results since 2000. For land use, transportation, fire, and utility permitting we project varying levels of increase in permitting activity and associated revenue to support service delivery. In total the forecast points to a moderate overall increase in permit revenue over the forecast period – although the certainty of the projections beyond two years is limited.

The table and graph below show revenue and expenditure projections through 2010 developed as part of the early outlook report shared with Council in June.



Staffing Adjustments

Under our management model for development services, we consider five key factors when contemplating increases or decreases in staffing and other resources:

- Demand for services
- Current capacity
- System performance as compared to established performance measures
- Duration of the forecast upswing/downswing
- Projected permit fee revenue.

The best solutions find the appropriate balance between all five factors. Over the past nine months, we addressed the growing gap between demand for inspections and our capacity by relying on consultants, hourly employees, and overtime.

We are now facing an increased and sustained level of permitting and construction that warrants a longer-term commitment of resources to keep pace. To meet our commitment to fast and predictable services, we are adding ten limited term position to our inspector ranks in preparation for a busy summer of construction forecasted to extend well into 2005.

Building, Fire, and Transportation inspection are affected most by the current bounce in activity, much of it coming from quick turn around residential, tenant improvement permits, and from the downtown projects that have already completed review and obtained permits. Although not as dramatic, there is also growing pressure on the development review side as core permitting continues on an upward trend. We are monitoring discussions in the community and tracking developer inquiries through pre-application conferences to get a stronger sense for when we will see new major projects come in the door warranting adjustments on the development review side. We will continue monitoring the level of activity in all service areas against the five management factors and propose adjustments as conditions change.

B. Development Services System Performance

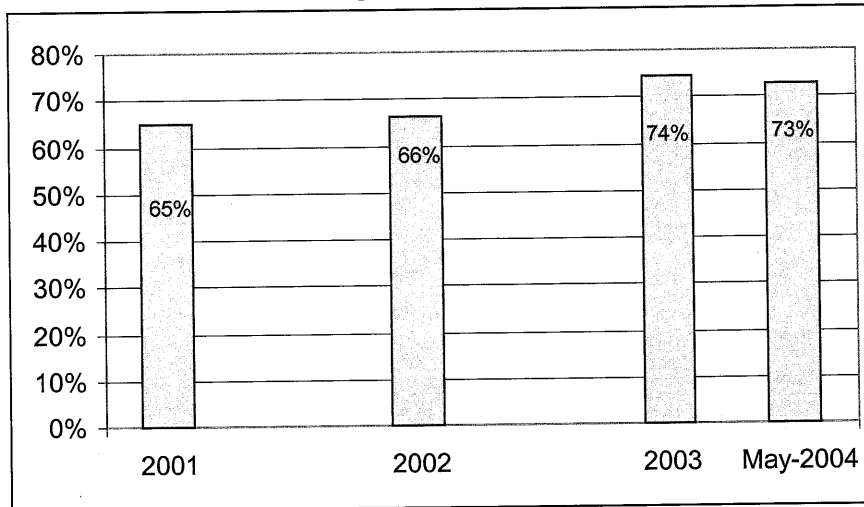
One of the key aspects of the DSI project is to have measurable goals for performance. We are tracking performance through several mechanisms, and plan future reports to Council on performance on a semi-annual basis.

Timelines

The City tracks timeline performance for issuance of all permits and has established performance goals for thirty-four permit types. (The remaining permit types are either over-the-counter – issued in one day – or of a size and complexity that requires negotiated timelines for completion).

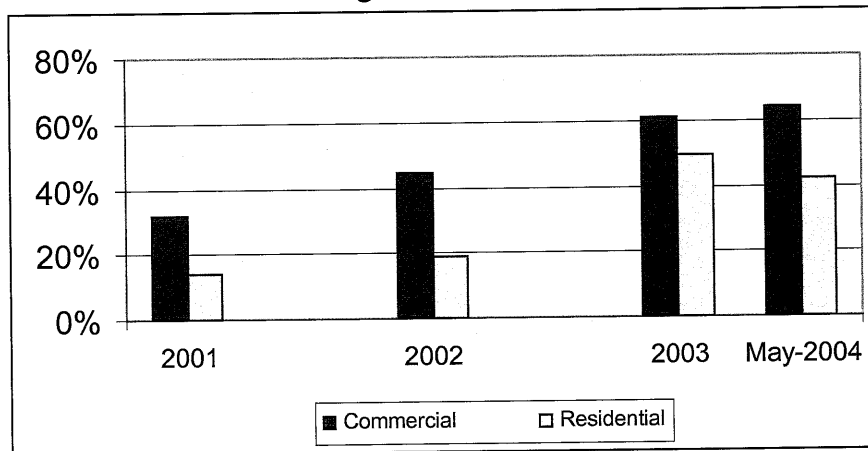
For most permits, the city has seen a significant improvement in timelines since the advent of the DSI effort. The following summarizes total performance against established timeline goals since 2001:

**Timeline Performance – All Permits
% Meeting Performance Target**



Significant improvements have also been seen in key specific permit types, including commercial construction (tenant improvement and new building construction) and single family construction (remodels, additions, and new homes) since the implementation of process changes through the DSI project:

**Timeline Performance – Commercial and Residential Permits
% Meeting Performance Target**



As illustrated in the above graphs, Development Services staff have noted a drop-off in timeline performance in the early months of 2004 for some permit types. There are several factors contributing to this:

- Increased workload for permit review
- Significant staff time spent in training in preparation for adoption of the International Building Code
- Greater reliance on consultants to review some permit types and related logistics problems

- In some cases, deliberate decisions by applicants to delay or slow down the permitting process

We are concerned that timelines will continue to face pressure as both applicants and reviewers climb a steep learning curve regarding the new International Building Code standards. We will be putting into place a number of measures to address the timeline slippage and build continued improvement in timeline performance by doing the following:

- Provide additional training for contractors and design professionals in the application of the new building codes.
- Identify permit types with a high percentage of revisions required prior to permit issuance and develop targeted public information and training to address common mistakes. *Part of our "building a better customer" strategy.*
- Resolve performance and logistics problems with consultants to reduce the amount of time spent moving plans between city and consultant offices.
- Add resources to respond to forecast growth in workload with the expanded use of consultants, hourly employees, or LTE's depending on the duration and nature of work.
- Complete work on the performance monitoring system giving individuals at all levels in the organization the ability to track performance within their area of responsibility. The performance monitoring system will also provide useful information related to applicant responsiveness and when lengthy revision cycles are a contributor to timeline performance.

Staff will report back to Council on timeline performance in December.

Customer Satisfaction

Another aspect of performance measurement is a regular survey of our customers to obtain their comments regarding our performance. The first survey was conducted in November 2002. A follow-up was then sent out in November 2003 to gauge whether responses had changed.

The 2003 survey showed a significant, marked improvement in customer opinions regarding development services in Bellevue. Eighty-five percent of respondents agreed with the statement: *"Overall, Bellevue does a good job inspecting projects and reviewing permit applications."* The most striking finding of the survey was that almost all numbers had improved significantly since the 2002 survey. Of the 25 questions asked, all 23 showed a higher "Positive" rating than in 2002. The greatest improvement was in questions related to cross-departmental coordination, timelines, and customer service.

The one question that showed an increase in negatives related to consistency among inspectors. This issue will be a major focus of the DSI inspections initiative over the coming year.

Complete results of the survey, including an analysis, are provided as Attachment 1.

C. Major DSI Improvement Activities

The Development Services Improvement initiative has already netted significant accomplishments, resulting in a reduction in timelines for many permit types and a widely recognized ethic of customer service and facilitation within our permitting functions.

In past Council presentations, staff has provided an overview of many of the changes brought about through the DSI project. These include process changes to speed up and simplify permit review, on-line tools to help customers and staff, processes for resolving code conflicts, and a new, principle-based fiscal governance structure.

Major recent additional accomplishments of the DSI project include:

- Organizational and management changes placing a single deputy director in charge of operational issues related to development services, while many of the technical review functions remain within separate departments.
- Implementation of a project manager structure to manage complex land use and other discretionary approvals.
- Development of a single point of contact for complaints and issues related to development services that cross departments. Complaints and issues regarding development services are now directed to Carol Helland, land use director so that we can ensure a consistent, coordinated one-city approach to answering complaints and solving any underlying problems.
- Implementation of a consistent, system wide performance rating and evaluation system for development services staff from all involved departments focusing on customer services, speed and efficiency, and technical ability.
- Privatization of inspections for some non city-owned drainage systems.

Based on the performance data and other information regarding the strengths and weaknesses of our current performance, the following are our key priorities for the next year:

- Expand the project manager/single point of contact structure to cover engineering review and inspection.
- Institutionalize a system-wide performance monitoring and management system for development services functions and staff to sustain long-term performance.
- Work with our industry and city partners to transition to the new International Building and Fire Codes.
- Improve the communication and consistency between reviewers and inspectors.
- Work with customer groups to identify areas where the level or type of regulation should be reviewed (part of the *Doing the Right Thing* initiative).
- Continue to improve accountability and customer services on the inspections side of our operations. To this end, we are convening a customer group referred to as the Contractor Advisory Group that will work closely with inspection staff to provide input on issues and solutions related to inspections. *More information on this advisory group is provided in Attachment 2.*

In addition, the Development Services Staff are working hard to take advantage of opportunities that will exist when we relocate to the new building, and all review staff are located together. This will allow for an even greater level of collaboration and customer service than is currently provided, but also requires us to re-think many of our back-office operations.

COUNCIL ACTIONS

Feedback with regard to management of the development services line of business, performance targets, and DSI initiatives is requested.

ATTACHMENT(S)

1. Quantitative survey results for 2002 and 2003
2. Memorandum regarding formation of the Contractor Advisory Group to address customer service and related issues in inspections.

Attachment 1. Customer Service Questionnaire Results

Purpose

The purpose of the survey is to collect objective information regarding our customers' experience with the development review process. The results of the survey will be used to:

- Report to managers, the Leadership Team, and City Council on our performance from the customer's perspective
- Track changes in customer experiences over time
- Identify areas for improvement and areas where service delivery is considered exceptional
- Identify and address specific issues and problems that customers have experienced

Methodology

The survey was developed using the format and some of the questions originally prepared by Paul Zucker for the 1999 building division inspections audit, with the questions expanded to cover all aspects of the development services process.

Surveys were sent to all customers who received a development services permit or approval in the previous year.

In 2003, a total of 1,853 surveys were sent out and 289 were received. This translates to a response rate of 16 %. The response rate was 14 % for 2002.

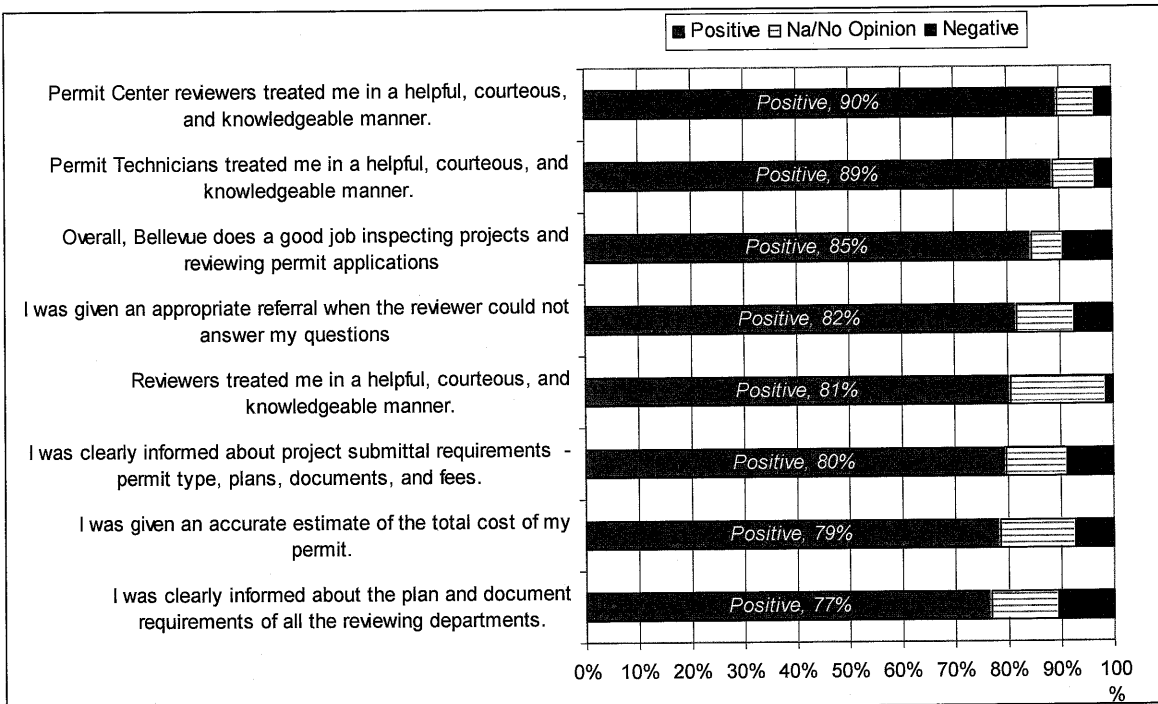
Findings

Overall

Most respondents (eighty-five percent) strongly agreed or agreed with the statement "Overall, Bellevue does a good job inspecting projects and reviewing permit applications."

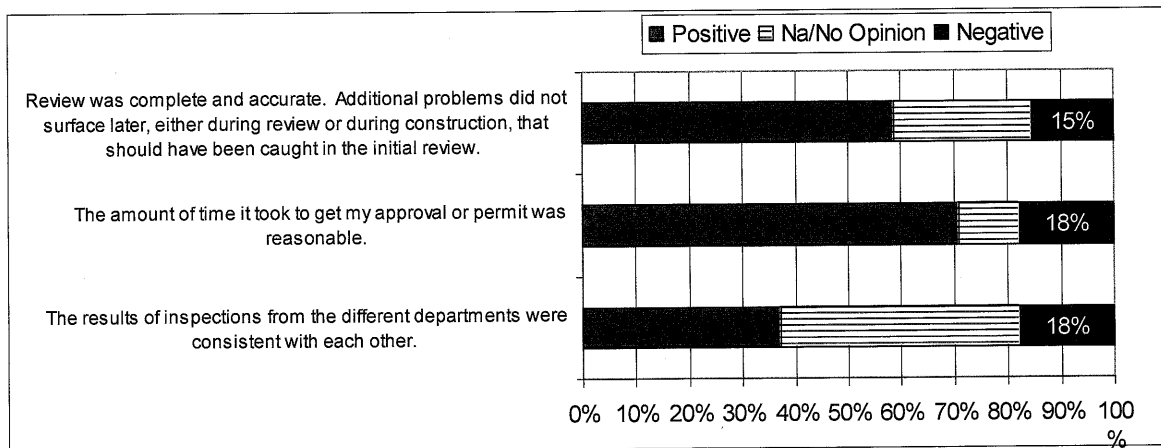
Customers identified many positive features of the current system. Customer service and professionalism, from the permit center through the inspections process, received high marks from most applicants. The following lists questions with a positive rating of over 75 %

Questions with a Positive Rating over 75 %



The quantitative answers with the highest negative scores focused on consistency and timeliness. These are the greatest challenges of the DSI effort and, although they have improved considerably, need to continue to be a priority.

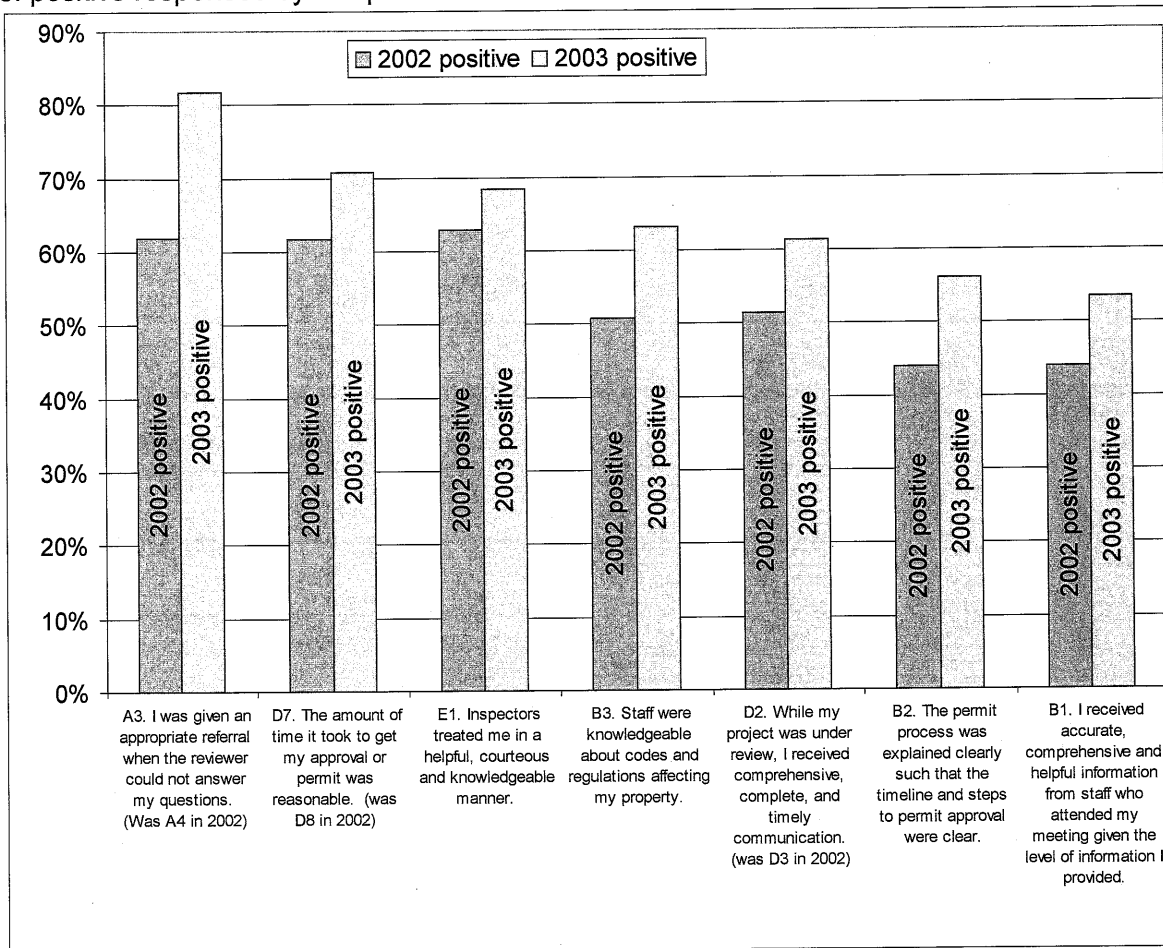
Questions with a Negative Rating over 15 %



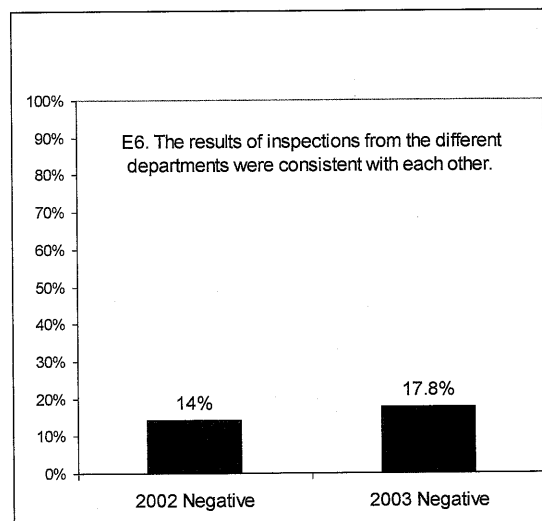
Comparison with 2002 results

The most striking finding of the survey was that almost all numbers had improved significantly since the 2002 survey. Of the 25 questions asked, all but two showed a higher "Positive" rating

than in 2002. In particular, the following questions showed an improvement in the percentage of positive responses by five percent or more:



Only one question had a significantly more negative response than in 2002. This issue will be a major focus of the Development Services effort for 2004.



Twelve of the 25 questions showed a drop in the overall negative response of five percent or more.

Verbal Responses

The survey includes two open-ended questions:

- Question 5: *What changes do you think would improve the application, review, or inspection process?*
- Question 6: *In what areas do you think we are doing a good job?*

These questions are especially helpful in allowing us to obtain more information about people's experiences with Bellevue's development review and inspections process. Respondents who asked for a call-back from a manager were also contacted by phone to obtain more information about specific situations. In addition, managers were given information about both positive and negative comments that cited specific staff.

The verbal answers reflected the fact that customers' experience with developments services continues to vary. Among the positive comments, people said:

- "The process is great"
- "Bellevue has the best overall process of any municipality in the State"
- "Inspectors are very helpful."

The negative comments included:

- The entire process, too much red tape, no incentive to serve. Might as well be dealing with the Kremlin.
- I found the inspectors not as knowledgeable as other city inspectors

Quantitative Survey Results

	2002			2003			CHANGE	
	% Positive	NA / No Opinion	% Negative	% Positive	NA / No Opinion	% Negative	Change in Positives	Change in Negatives
OVERALL: 2003 DSI Survey Results								
Overall, Bellevue does a good job inspecting projects and reviewing permit applications				85%	6%	9%		
I think Bellevue's development review and inspection process compares well with other cities as to efficiency and customer service.	60%	24%	16%	61%	30%	9%	1%	-8%
PERMIT CENTER								
A1. Permit Center reviewers treated me in a helpful, courteous, and knowledgeable manner.	87%	5%	8%	90%	7%	3%	3%	-4%
A2. I was clearly informed about the plan and document requirements of all the reviewing departments.	72%	9%	19%	77%	13%	11%	5%	-8%
A3. I was given an appropriate referral when the reviewer could not answer my questions. (Was A4 in 2002)	62%	31%	7%	82%	11%	7%	20%	0%
PRE-AP								
B1. I received accurate, comprehensive and helpful information from staff who attended my meeting given the level of information I provided.	44%	49%	7%	54%	39%	7%	10%	1%
B2. The permit process was explained clearly such that the timeline and steps to permit approval were clear.	44%	46%	10%	56%	34%	10%	12%	0%
B3. Staff were knowledgeable about codes and regulations affecting my property.	51%	41%	8%	63%	31%	6%	13%	-2%
INTAKE								
C1. Permit Technicians treated me in a helpful, courteous, and knowledgeable manner.	89%	3%	8%	89%	8%	3%	0%	-5%
C2. I was clearly informed about project submittal requirements - permit type, plans, documents, and fees.	79%	5%	16%	80%	12%	9%	0%	-7%
C3. I was given an accurate estimate of the total cost of my permit. (was C4 in 2002)	75%	10%	15%	79%	14%	7%	4%	-8%
REVIEW								
D1. Reviewers treated me in a helpful, courteous, and knowledgeable manner.	76%	15%	9%	81%	18%	1%	4%	-7%
D2. While my project was under review, I received comprehensive, complete, and timely communication. (was D3 in 2002)	51%	24%	25%	61%	25%	14%	10%	-11%
D3. Review was complete and accurate. Additional problems did not surface later, either during review or during construction, that should have been caught in the initial review. (was D4 in 2002)	57%	21%	22%	59%	26%	15%	1%	-7%
D4. Reviewers dealt with me with a positive "here's what needs to be done to get your permit approved" approach, rather than a negative "you can't do that" approach. (was D5 in 2002)	63%	22%	15%	64%	28%	8%	1%	-7%
D5. Comments from reviewers from different departments were consistent with each other. (was D6 in 2002)	47%	34%	20%	51%	36%	12%	5%	-7%
D6. Within the City's codes, reviewers were practical in applying regulations during the plan review process. (was D7 in 2002)	66%	19%	15%	69%	22%	9%	3%	-6%
D7. The amount of time it took to get my approval or permit was reasonable. (was D8 in 2002)	62%	5%	33%	71%	12%	18%	9%	-15%

survey, continued ...

	200200%			200300%			CHANGE	
	% Positive	NA / No Opinion	% Negative	% Positive	NA / No Opinion	% Negative	Change in Positives	Change in Negatives
INSPECTIONS								
E1. Inspectors treated me in a helpful, courteous and knowledgeable manner.	63%	23%	14%	68%	23%	8%	5%	-5%
E2. Inspectors clearly informed me about all the requirements needed to approve my inspection.	64%	26%	11%	66%	24%	9%	3%	-2%
E3. If inspectors found deficiencies during inspections, they were thorough and clear in explaining what I had to do to correct them.	59%	31%	9%	61%	31%	8%	2%	-1%
E4. Inspectors dealt with me with a positive "here's what needs to be done to get your inspection approval" approach, rather than a negative "you can't do that" approach.	60%	28%	12%	61%	28%	10%	2%	-2%
E5. Inspectors kept their requests for modifications within code requirements.	54%	35%	11%	57%	35%	8%	3%	-3%
E6. The results of inspections from the different departments were consistent with each other.	43%	43%	14%	37%	45%	18%	-5%	4%
E7. The amount of time it took to get an inspection approval was reasonable.	67%	24%	10%	69%	23%	8%	2%	-2%



MANAGEMENT BRIEF

ATTACHMENT 2

DATE: June 28, 2004

TO: Mayor Marshall and City Councilmembers

FROM: Mike Brennan, Deputy Director Development Services, PCD

SUBJECT: Contractor Advisory Group

The DSI effort has created fundamental changes in the way the City delivers development services creating significant improvement in our customer's experience. We improved permit review processes and established timeline performance measures, expanded use of technology to improve access to information and services, changed the financial model to provide consistent support across all functions, and instituted a new organizational structure and performance expectations to create accountability.

We have now shifted our focus to the inspection services part of our operation and are taking a critical look at our practices and how they align with customer needs. As with past DSI efforts, we will invite participation from the people who have first hand experience in this area of interest to benefit from their perspective and ideas, and to ensure the outcomes consider their needs. For this project, the engagement strategy includes the formation of a customer group made up of contractors who routinely work in Bellevue and surrounding communities, have experience working with our inspectors, and can share first hand information about what works and where we need to make improvements. We are referring to this group as the Contractor Advisory Group.

Contractor Advisory Group Members

In bringing the group together, I solicited participation from general and sub-contractors with recent experience working in Bellevue on a range of commercial projects from tenant improvements through large mixed-use buildings. I also invited Harry Andresen, a local architect and former member of the Construction Code Advisory Group (CCAC), to serve as chair. Mr. Andresen will bring his experience as a practicing architect, his knowledge of the regulatory environment, and an understanding of the broader DSI improvement efforts initiated during his tenure on the CCAC. The other members of the Contractor Advisory Group who have graciously agreed to help us are listed at the end of the memo.

Scope of work and schedule

Three of the recommendations included in the final report from the CCAC to council in June of 2003 begin to set the framework for the inspection improvement effort and scope of work for the Contractor Advisory Group, they are:

- ☐ Actively listen to your customers. The benefits of open communication between the city and the many interest groups are invaluable. Many of the changes implemented over the past few years represent a balance between a number of different, sometimes competing, perspectives and needs. You should seek outside review or audits of projects after completion to obtain honest feedback, and that feedback should be used to drive continued

improvement. Promoting the "partnership" approach will lead to solutions that are sustainable because they hold broad based support.

- ☐ Direct additional attention at improving the transition between permit review and inspection services. Conflicts continue to surface related to communication and decision making between these two service areas.
- ☐ Continue working to improve consistency and predictability in inspection services.

In addition to considering these recommendations, the group will participate in the scoping and prioritization of the inspection improvement effort and provide the "user's perspective" with timely feedback on proposed changes. They will also help identify disconnects between city and contractor practices that result in inefficiencies for contractors and inspectors. On a more fundamental level, they will help us answer the question, *"What can or should builders and the City do to make the inspection process as efficient and effective as possible for all involved?"*

Group members will provide a connection to others in the construction industry by functioning as a communication network and soliciting comments from other contractors when there is a need for a broader level of participation or feedback on specific topics. The formation of this group reinforces the message – "we care about what our customer think and we are committed to continuous improvement in the delivery of development services to provide fast, predictable services from a coordinated city organization."

Under the current plan, I hope to convene the first meeting in July and complete their work before May of 2005 following a monthly meeting schedule, although the final meeting schedule and frequency will be established during the first meeting.

I look forward to working with this group of industry experts, hearing and understanding their issues and needs, and implementing lasting changes that will improve the quality and efficiency of Bellevue's inspection services. I will report back to the Council on our progress during the next development services update.

***Development Services
Contractor Advisory Group***

Harry Andresen (Chair), Andresen Architects

Bob Barlish, Lydig Construction

Mike Cunningham, Precision Alarm

Pher Homberg, Homberg Plumbing

Tom O'Neal, COSCO Fire Protection

Jim Shiller, Shiller Electric

Mark Stillwell, Foushee Construction

Grant Williman, Lease Crutcher Lewis

CITY COUNCIL BUDGET REVIEW SESSION ITEM**SUBJECT:**

Discussion of revenue policies and alternatives for both the General Fund and Capital Investment Program.

STAFF CONTACT:

Jan Hawn, Finance Director 452-6846
Joe Guinasso, Assistant Finance Director 452-4481
Jonathan Swift, Budget Manager 452-7863

POLICY ISSUES:

This discussion provides information on discretionary resource authority in order to aid Council in determining whether to pursue additional tax authority, use one-time resources, or pursue long-term debt to address the projected General Fund financial gap and/or pay for new investments. This discussion does not include revenue options that are program specific (e.g. fire inspection revenues) and instead, focuses on general revenues available for a variety of projects and/or programs.

No recommendations or decisions are to be made at this time. During the July 12, 2004 Budget Retreat, Council will be asked to provide direction as to which of the alternatives (outlined below), if any, they wish to pursue.

On June 21st and June 28th, Council was provided with an Early Outlook Forecast of the General Fund, Enterprise Funds, and CIP. These forecasts were designed to provide Council with insight into the long-term financial effects of current policies, programs, and priorities and illustrate the bottom line effect of current budget decisions on future resources.

The General Fund Early Outlook illustrated that, without intervention, expenditures would exceed revenues in most years. At the same time, the total deficit is expected to decline over time, reversing to a surplus by 2010. Even though the economy is improving and revenues are increasing, revenue growth is not sufficient to fully offset General Fund expenditure increases in 2005. These increases include:

- Health Benefits costs (\$1.2 million or 15%)
- State mandated retirement plans (\$823,000 or 61%)
- Workers' Compensation Costs (\$237,000 or 41%)

The CIP Early Outlook illustrated that revenues are expected to be sufficient to cover the completion of projects in the current 2003-2009 CIP Plan and two additional years of ongoing projects. Approximately \$24 million to \$27 million of funding for new projects are projected to be available in the latter years of the 2005-2011 CIP Plan. However, this preliminary plan will

delay 15 projects for several years in order to stay within \$35 million of cash flow borrowing. The preliminary plan also does not include any new projects in the early years of the plan.

BACKGROUND/ANALYSIS:

Council has discretion to use a variety of resources to fund existing and/or new projects and programs. Available options are governed by the Council-adopted revenue policies contained in the Comprehensive Financial Management Policy (Attachment A -- Revenue Policies). The City's revenue policies emphasize stability, return on public investment, and continuing economic vitality.

As with a personal investment portfolio, diversity is important in minimizing risk. A good mix of revenues includes some sources that are stable (i.e., reliable in providing funding for essential services even during economic downturns) and some that are more economically sensitive. Property tax is the most stable of the City's major taxes. Sales, business and occupation (b&o), and real estate excise taxes are the most sensitive to economic changes of the City's major taxes. Having a well balanced and diversified revenue mix has helped the City remain economically viable even during economic downturns.

Return on investment refers to the goal of a revenue mix that allows the City to benefit from economic and community development investments. Having revenue sources that are sensitive to economic development allows Bellevue's residents to benefit when development occurs. For example, as new commercial high rises are completed and occupied, the City collects additional property and other taxes which pay for any additional service demands and help offset the need for general property tax increases. These development benefits are one of the primary reasons that Bellevue has not had to take a property tax increase in 9 of the last 10 years.

The City's revenue policies provide specific guidance when changing the level or mix of revenues. These criteria include:

- ◆ Stability over the expected life of the revenue
- ◆ Suitability to be pledged to meet a future obligation
- ◆ Equitably spreading the tax burden across the City's tax base
- ◆ Tying the revenue change to a future vision of what the change is intended to foster.

ALTERNATIVES:

Council may direct staff to:

1. **Keep level of collection and revenue allocations as is.**
2. **Change the level of collection of the major taxes.** The City has several options available including:

Business and Occupation Tax. The City currently levies approximately 75% of available B&O tax authority. Levying the remaining authority would generate an additional \$5.9 million per year.

SS 2-18

Property Tax. Bellevue has \$8.4 million per year in banked property tax capacity available. Each 1% property tax increase equates to approximately \$250,000 per year.

Utility Taxes. Bellevue retains \$4.1 million per year in capacity across several utility taxes. Most notably, Bellevue has opted to not impose the Cable Utility tax which could generate an additional \$1 million per year.

Admissions/Gambling Tax. Bellevue does not levy the full authority for either of these taxes. Combined they could generate an additional \$0.2 million per year.

For a detailed list of existing taxing authority see Attachment B.

3. **Use one-time resources.** One-time resources include use of projected new construction sales tax or the Rainy Day Reserve Fund (\$4.4 million). Construction activity associated with Lincoln Square and Overlake Hospital are expected to generate \$1.7 million between 2005 and 2007. These anticipated funds have not been budgeted in either the General Fund or CIP. A description of the purpose and use of the Rainy Day Reserve is included as Attachment E.
4. **Use new or existing resources to fund debt.** Bellevue retains \$900 million in General Purpose and Parks and Open Space debt capacity. The City could opt to use a variety of revenue streams to fund additional debt. A brief discussion of debt use and capacity is included in Appendix D.
5. **Use special assessment bonds for infrastructure.** Special assessment bonds are issued to finance construction of local improvement district (LID) projects. These projects are repaid through assessments collected from property owners benefiting from related improvements.

ATTACHMENT(S):

- A. Revenue Policies
- B. Revenue Levels and Existing Authority
- C. Use of debt: Councilmanic and Voted
- D. Comparison of Bellevue Tax Rates with other Washington Cities
- E. Rainy Day Reserve Fund Description

SS 2-19

ATTACHMENT A

Revenue Policies (Extract from Comprehensive Financial Management Policies)

REVENUE POLICIES

The City must be sensitive to the balance between the need for services and the City's ability to raise fees, charges, and taxes to support those services.

- A. Mix of Revenues: The City should strive to maintain a diversified mix of revenues in order to balance the sources of revenue amongst taxpayers and to provide ongoing stability and predictability.
1. Property taxes and other stable revenues provide a reliable base of revenues during periods of economic downturn.
 2. The City's overall revenue structure should be designed to recapture for the City some of the financial benefits resulting from City economic and community development investments.
 3. The City will strive to keep a total revenue mix that encourages growth and keeps Bellevue economically competitive, and a City of choice for people to live and do business.
- B. Taxes Should Be Selected for Balance, Applicability, and Probable Economic Impact: The following factors will be considered when the City's taxes are increased, decreased, extended, or changed in any way.
1. Stability of the tax source over its expected life.
 2. Suitability for a pledge against future debt, if that is part of the City Council's long-range intent for the revenue source.
 3. Spread the tax burden throughout the City's tax base by utilizing a broad array of the tax sources available, and by investigating mitigation of inequities and hardships where appropriate (e.g., property tax exemptions and deferrals, and utility tax rebates for low-income elderly people). State and local legislative remedies for detrimental tax impacts should be sought where appropriate.
 4. Apply the tax impact information for both residential and business taxpayers against a future vision of what the tax policy decision is intended to foster.
- C. Property Tax Revenues for Park Maintenance: Revenues derived from the Property Tax Lid Lift for Park Maintenance, which Bellevue voters approved in May 1988, shall be deposited in the General Fund to pay all costs necessary to fund the maintenance and operating costs of specific park facilities.
- D. Charges for Services: As much as is reasonably possible, City services that provide private benefit should be supported by fees and charges in order to provide maximum flexibility in use of general City taxes to meet the cost of services of broader public benefit. Charges for services that benefit specific users should recover full costs, including all direct costs, capital costs, department overhead, and Citywide overhead. Departments that impose fees or service charges should prepare and periodically update cost-of-service studies for such services. When consistent with legal requirements, other City interests such as remaining competitive

ATTACHMENT A

Revenue Policies (Extract from Comprehensive Financial Management Policies)

within the region or meeting other City objectives, a subsidy of a portion of the costs of such services may be considered.

- E. Backup Convention Center Financing: In accordance with Ordinance No. 4094 (passed on 12/4/89) and Ordinance No. 4229 (passed on 3/4/91), 0.01% of the City's total gross receipts business and occupation taxing authority of 0.2%, is reserved as a backup financing mechanism for the Convention Center should additional financing beyond that contemplated in the adopted Convention Center Financing Plan become necessary. In addition, any additional increase in the City's b&o tax (measured by gross receipts) shall first require an analysis of the status of the Convention Center Financing Plan. This information must be included in any fiscal impact notes on agenda materials presented to the City Council for the purpose of increasing the b&o tax rate described above. Ordinance Nos. 4094 and 4229 are attached as Figures 8-3 and 8-4.

ATTACHMENT B

Revenue Levels and Existing Authority

The City Council has discretion within certain legal limits to adjust the level or rate of collection of each of the major taxes. The City Council has capacity to raise additional taxes or to trade off tax increases with equivalent tax reductions. Tax reductions may also be made by directing commensurate programmatic expenditure reductions.

The following table illustrates Bellevue's current tax rates and the value of the residual tax authority.

**Table 1: Current Tax Rate and Potential Dollars Generated by
Maximum Rate (based on 2003 Actual Receipts) in \$000**

Tax	Bellevue Rate	2003 Actual	Maximum Rate	Maximum Amount	Difference
B&O	0.1496%	\$17,467	0.20%	\$23,352	\$5,885
<u>Property (2004 Levy)</u>					
Regular	\$1.20	25,568	\$3.10	33,956	8,388
Voted	\$0.12	2,466	N/A	N/A	See Note 1
<u>Utility Taxes</u>					
Electric	4.50%	4,479	6.00%	5,972	1,493
*Cable	0.00%	0	4.80%	1,056	1,056
Gas	4.50%	1,405	6.00%	1,873	468
*Water	4.50%	943	6.00%	1,257	314
*Sewer	4.50%	1,032	6.00%	1,376	344
*Garbage	4.50%	976	6.00%	1,301	325
*Storm	4.50%	434	6.00%	578	145
Telephone	6.00%	4,828	6.00%	4,828	0
Cell Phone	6.00%	2,994	6.00%	2,994	0
Admissions	3.00%	318	5.00%	530	212
Gambling	3.00%	8	5.00%	14	5
Sales	1.00%	36,156	1.00%	36,156	0
REET	0.50%	7,127	0.50%	7,127	0
TOTAL		\$106,200		\$122,369	\$18,636

1. Voted or excess property tax levies have no constitutional or statutory limit.

*Statutorily, there is no maximum for these utility taxes. Among Washington Cities, Spokane's rate is the highest at 18.5%.

ATTACHMENT C

Use of Debt: Councilmanic and Voted

A. Background

Bellevue's Capital Investment Program is distinct among regional capital project funding plans in that it is largely a "pay-as-you-go" plan financed by dedicated sales and B&O taxes. However, since the implementation of the CIP in 1982, City Councils have decided on several occasions that borrowing was needed to allow certain projects to be completed more quickly than would have happened in an entirely pay-as-you-go funding plan. Examples of the use of borrowing to supplement the pay-as-you-go CIP included non-voted borrowing to purchase the Downtown Park in 1982 and a voted Park Bond Issue in 1988.

Debt has been regularly discussed with the City Council and information about the topic appears in several locations in the City's Budget. Two sections from the 2003-2004 Budget are attached for your reference:

1. **Debt Policy.** This document provides general guidance for the use and issuance of debt. This Debt Policy is contained within the City's Comprehensive Financial Management Policy.
2. **Capital Investment Program Plan Policy "N".** This policy statement confirms that long term borrowing is not the norm in the CIP, but is acceptable in the pursuit of a major city goal that would otherwise be delayed an unacceptably long time.

B. Types of Debt

The following summarizes some key facts about Voted and Non-Voted debt.

1. Voted Debt

- Requires a vote of the electorate at a regular or special election.
- To be approved, the ballot measure:
 - Must achieve a turnout equal to 40% of those voting at the preceding general election; and
 - Must achieve a 60% supermajority "yes" vote.
- Statutory limitation on indebtedness is 2.5% of the current assessed value.
- Policy limitation on indebtedness is 1.5% of the current assessed value.
- If the ballot measure is approved, property taxes will be raised for the term of indebtedness to provide a repayment revenue source.
- By practice, a companion property tax lid lift would also appear on the ballot to pay the costs of any ongoing M&O expenses associated with capital projects funded in the voted bond issue.

ATTACHMENT C

Use of Debt: Councilmanic and Voted

2. Non-Voted Debt (Councilmanic)

- Requires no vote of the electorate
- Enacted by a majority vote of the City Council
- Requires a revenue source to repay the debt:
 - Diversion of an existing revenue source; or
 - Enactment of a new tax.
- By practice, Council would also provide a revenue source to pay the costs of any ongoing M&O expenses associated with the capital projects funded in the non-voted bond issue.

C. Current Debt Status

The following table provides current data on remaining debt capacity and our current outstanding debt amounts. As you can see, the City has a significant amount of untapped debt capacity for both voted and non-voted debt.

Table 1: Statutory Debt Limit and Available Debt Capacity
(\$in millions)

Type of Debt	Existing Debt	Limitation Amount	Remaining Capacity (Statutory)	Limitation Amount	Remaining Capacity (Policy)
General Purpose:	\$156	\$530	\$374	\$371	\$215
<i>Non-voted (Councilmanic)</i>	155	318	163	212	57
<i>Voted</i>	1	212	211	159	158
Park & Open Space	7	530	523	371	364
Utilities	0	530	530	371	371
Total Debt Capacity	\$163	\$1,591	\$1,428	\$1,114	\$950

FIGURE 8-6

City of Bellevue Debt Policy

Updated: October 18, 2002

Background

The City of Bellevue (City) maintains conservative financial policies to assure strong financial health both in the short- and long-term. The City is an infrequent issuer of debt with debt primarily used as a tool to finance large capital investments such as property acquisitions.

Maintaining the City's bond rating is an important objective of the City's financial policies. To this end, the City is constantly working to improve its financial policies, budgets, forecasts, and financial health.

Purpose

This policy sets forth the criteria for issuance and repayment of debt. The primary objective of the Debt Policy is to establish criteria that will protect the City's financial integrity while providing a funding mechanism to meet the City's capital needs. The underlying approach of the City is to borrow only for capital improvements that cannot be funded on a pay-as-you-go basis. The City will not issue long-term debt to finance current operations.

All debt issued will be in compliance with this policy, Bellevue City Code (BCC) Chapter 2.30 - Registration Procedure for Bonds and Obligations, Chapter 35A.40 Revised Code of Washington (RCW) - Fiscal Provisions Applicable to Code Cities and Chapter 43.80 RCW - Fiscal Agencies along with all other City, State, and Federal laws, rules, and regulations.

Scope

This Policy provides general guidance for the issuance and management of all City debt. In addition, it includes the management of all debt absorbed by the City through utility assumptions or the like. It does not include the debt issued by the Bellevue Convention Center Authority.

Responsibility

Authority to issue and manage debt is derived from BCC 2.37.030. This section gives the Finance Director authority to act in the capacity of City Treasurer, which includes the duties of debt management.

This section also authorizes the Finance Director to appoint a subordinate employee from the Department to assist in the performance of the duties of City Treasurer. The Finance Director has appointed the Accounting and Treasury Manager to act as the Debt Manager to assist in the duties of debt issuance, interest payments, principal repayments and other debt-related activities.

The Finance Director is responsible for assuring that the activities related to the issuance and payment of bonds or other obligations do not jeopardize the bond rating.

SS 2-25

Budgeting and Capital Planning

The City shall develop and maintain a capital planning process such as the biennial Capital Investment Program Plan for consideration and adoption by the City Council as part of the City's budget process. The Finance Department is responsible for coordinating and analyzing the debt requirements. This will include timing of debt, calculation of outstanding debt, debt limitation calculations and compliance, impact on future debt burdens, and current revenue requirements.

Prior to issuance of debt, the City will prepare revenue projections, such as the biennial budget or the Financial Forecast, to ensure that there is adequate revenue to make principal and interest payments.

Types of Long-Term Debt

The following is a description of the types of long-term debt the City may issue:

1. General Obligation

This debt is backed by the full faith and credit of the City. The State RCW limits this debt to 2.5% of the assessed valuation of the City for each of three purposes:

A. General Purposes

Debt issued in this category can be used for any purpose allowed by law.

Non-Voted

The City Council may authorize the issuance of general obligation debt up to 1.5% of the City's assessed value without a vote of the public as long as there is an available source of funding to pay the debt service. This funding source can be the diversion of an existing revenue source or a new revenue coming from the enactment of a new tax or other revenue source. The debt can take the form of bonds, lease-purchase agreements, conditional sales contracts, certificates of participation, or other forms of installment debt.

Voted

The City Council may place any general obligation debt issue before the electorate. According to State law, if a debt issue is placed before the City's electorate, it must receive a 60% or greater yes vote and have a turnout of at least 40% of those voting at the previous general election. Voted issues are limited to capital purposes only.

B. Open Space and Parks

Debt issued in this category must be used for park and open space and/or recreation facilities. All debt in this category must be approved by the voters.

C. Utilities

Debt issued in this category must be used for utility infrastructure. All debt in this category must be approved by the voters.

2. Revenue Debt

Revenue bonds are generally payable from a designated source of revenue generated by the project which was financed. No taxing power or general fund pledge is provided as security. Unlike general obligation bonds, revenue bonds are not subject to the City's statutory debt limitation nor is voter approval required.

SS 2-24

3. Local Improvement District (LID) Debt

LID bonds are payable solely from assessments of property owners within the local improvement district. Similar to revenue debt, no taxing power or general fund pledge is provided as security, and LID bonds are not subject to statutory debt limitations.

The debt is backed by the value of the property within the district and a LID Guaranty Fund. The LID Guaranty Fund is required by State law.

Short-Term Debt and Interim Financing

The City may utilize short-term borrowing in anticipation of long-term bond issuance or to fund cash flow needs in anticipation of tax or other revenue sources. Short-term borrowing excludes the City's warrant redemption process.

In accordance with BCC 3.37.070, the Finance Director is authorized to make loans from one City fund to another City fund for periods not exceeding three months. The Finance Director or designee is required to assure that the loaning fund will have adequate cash balances to continue to meet current expenses after the loan is made and until repayment from the receiving fund.

Limitation of Indebtedness

In addition to the limitations required by the RCW, the City's indebtedness is further limited by this policy to assure strong financial health. The limitations are applied to the assessed value of the City to arrive at a dollar value of indebtedness. For example, the 2002 assessed valuation used to determine the 2003 property tax levy was \$20.7 billion and the statutory limitation for general obligation debt is 2.5%, therefore the City's statutory debt limitation is \$517.4 million. The following matrix shows the general limitation by type of debt. These limitations may be modified by the City Council up to the statutory limitation at the Council's discretion.

Type of Debt	Statutory Limitations	Policy Limitations	2003 Bellevue Actual
General Obligation:	2.5%	1.75%	0.26%
Non-Voted	1.5%	1.0%	0.25%
Voted	1.0%	0.75%	0.01%
Open Space and Parks	2.5%	1.75%	0.04%
Utilities	2.5%	1.75%	0.00%
Revenue	no limit	no limit *	NA
Local Improvement District	no limit	no-limit *	NA

* Revenue and LID debt is not limited because no taxing power or general fund pledge is provided as security.

SS 2-27

Structure and Term of Debt

1. Debt Repayment

The City shall pay all interest and repay all debt in accordance with the terms of the bond ordinance. The maturity of bonds issued should be the same or less than the expected life of the project for which the bonds were issued. To the extent possible, the City will seek level or declining debt repayment schedules.

2. Variable-Rate Securities

When appropriate, the City may choose to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of the securities. However, the City will avoid over use of variable-rate debt due to the potential volatility of such instruments.

Professional Services

The City's Finance Department shall be responsible for the solicitation and selection of professional services that are required to administer the City's debt program.

1. Bond Counsel

All debt issued by the City will include a written opinion by bond counsel affirming that the City is authorized to issue the proposed debt. The opinion shall include confirmation that the City has met all city and state constitutional and statutory requirements necessary for issuance, a determination of the proposed debt's federal income tax status and any other components necessary for the proposed debt.

2. Financial Advisor

A Financial Advisor(s) will be used to assist in the issuance of the City's debt. The Financial Advisor will provide the City with objective advice and analysis on debt issuance. This includes, but is not limited to, monitoring market opportunities, structuring and pricing debt, and preparing official statements of disclosure.

3. Underwriters

An Underwriter(s) will be used for all debt issued in a negotiated or private placement sale method. The Underwriter is responsible for purchasing negotiated or private placement debt and reselling the debt to investors.

4. Fiscal Agent

A Fiscal Agent will be used to provide accurate and timely securities processing and timely payment to bondholders. In accordance with Chapter 43.80 RCW, the City will use the Fiscal Agent that is appointed by the State.

Method of Sale

The City will generally issue its debt through a competitive process but may use a negotiated process under the following conditions.

- The bond issue is, or contains, a refinancing that is dependent on market/interest rate timing.
- At the time of issuance, the interest rate environment or economic factors that affect the bond issue are volatile.

SS 2-28

- The nature of the debt is unique and requires particular skills from the underwriter(s) involved.
- The debt issued is bound by a compressed time line due to extenuating circumstances such that time is of the essence and a competitive process cannot be accomplished.

Credit Ratings

The City will maintain good communication with bond rating agencies about its financial condition. This effort will include providing periodic updates on the City's general financial condition, coordinating meetings, and presentations in conjunction with a new issuance. The City will continually strive to maintain its bond rating by improving financial policies, budgets, forecasts and the financial health of the City.

Credit enhancements may be used to improve or establish a credit rating on a City debt obligation. Credit enhancements should only be used if cost effective.

Refunding Debt

A debt refunding is a refinance of debt typically done to take advantage of lower interest rates. Unless otherwise justified, such as a desire to remove or change a bond covenant, a debt refunding will require a present value savings of five percent of the principal amount of the refunding debt being issued.

Arbitrage Rebate Monitoring and Reporting

The City will, unless otherwise justified, use bond proceeds within the established time frame pursuant to the bond ordinance, contract or other documents to avoid arbitrage. Arbitrage is the interest earned on the investment of the bond proceeds above the interest paid on the debt. If arbitrage occurs, the City will pay the amount of the arbitrage to the Federal Government as required by Internal Revenue Service Regulation 1.148-11. The City will maintain a system of recordkeeping and reporting to meet the arbitrage rebate compliance requirement of the IRS regulation. For each bond issue not used within the established time frame, the recordkeeping shall include tracking investment earnings on bond proceeds, calculating rebate payments, and remitting any rebatable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the outstanding debt.

Covenant Compliance

The City will comply with all covenants stated in the bond ordinance, contract, etc.

Ongoing Disclosure

The Debt Manager shall be responsible for providing annual disclosure information to established national information repositories and for maintaining compliance with disclosure statements as required by state and national regulatory bodies. Securities & Exchange Commission disclosure shall occur by the date designated in the bond ordinance, which is currently July 31 of each year. Disclosure shall take the form of the Comprehensive Annual Financial Report (CAFR) unless information is required by a particular bond issue that is not reasonably contained within the CAFR.

SS 2-29

- K. Public Input at All Phases of Projects: The City makes a serious commitment to public involvement. All of the City's long-range plans have been developed through an extensive citizen involvement program. Citizen involvement occurs at the long-range plan development stage, during CIP review and adoption, during master planning processes, during design and construction of specific projects, and through public processes associated with City boards and commissions. Public hearings are held during the CIP process to allow public comment on the recommended list of projects. The projects themselves call for an aggressive public outreach effort, allowing those most closely affected to influence the design of the projects. While public input is essential to the successful implementation of the CIP, staff and Council must also remain concerned about the overall effect upon costs as attempts are made to respond to requests of project neighbors.
- L. Basis for Project Appropriations: During the City Council's biennial CIP Plan review, the City Council will appropriate the full estimated project cost for all projects in the CIP Plan. Subsequent adjustments to appropriation levels for amendments to the CIP Plan may be made by the City Council at any time.
- M. Balanced CIP Plan: The CIP Plan is a balanced seven-year plan. This means that for the entire seven-year period, revenues will be equal to project expenditures in the plan. It is anticipated that the plan will have more expenditures than revenues in single years of the plan, but this imbalance will be corrected through the use of interim financing, if actually needed. Over the life of the seven-year plan, however, all planned interim debt will be repaid and all plan expenditures, including interest costs on interim debt will be provided for with identified revenues. Any project funding plan, in which debt is not retired within the current seven-year plan, must have specific City Council approval.
- N. Use of Debt in the CIP: The CIP is viewed as a long-term program that will continually address capital requirements far into the future. As such, the use of long-term debt has been minimized, allowing the City to put money into actual projects that benefit Bellevue residents and businesses rather than into interest payments to financial institutions. To that end, this policy limits debt to short-term obligations, primarily for cash flow purposes. Debt incurred will be paid back before the end of the current CIP. Finance staff monitor CIP cash flow regularly and utilizes fund balances to minimize the amount of borrowing required. Projected financing costs are included within a project in the General Government program area. There are exceptions to this policy for extraordinary circumstances, where Councilmanic or voted long-term debt have been issued to achieve major City goals that otherwise could not have been achieved, or would have to wait an unacceptably long time.
- O. Finance Director's Authority to Borrow: The Finance Director is authorized to initiate interim and long-term borrowing measures, as they become necessary, as identified in the current CIP Plan.
- P. CIP Plan Update and Amendment: The CIP Plan will be updated at least biennially as a part of the City's biennial budget process. The City Council may amend the CIP Plan at any time if a decision must be made and action must be taken before the next CIP review period. The City Council has delegated authority to the City Manager to administratively approve CIP Plan adjustments, except for changes in project scope or changes that total more than 10% of a project's adopted CIP Plan budget (unless a 10% adjustment is less than \$10,000), or regardless of the percentage, budget changes totaling more than \$100,000. The Council has further authorized the City Manager to administratively approve the acceleration of project schedules so long as they can be accomplished without causing cash flow problems and with the understanding that any controversial issues would be brought before the City Council. All project additions or deletions must be approved by the City Council.

ATTACHMENT D

Comparison of Bellevue Tax Rates with Other Washington Cities

When looking at the level of taxation in comparison to other jurisdictions, Bellevue's tax rates compare favorably. Figures 4-3(A) and 4-3(B) (attached) show how Bellevue's 2002 tax rates for regular levy property, sales, b&o, and utility taxes compare to the 25 other Washington cities with over 30,000 population. The key findings from this survey are:

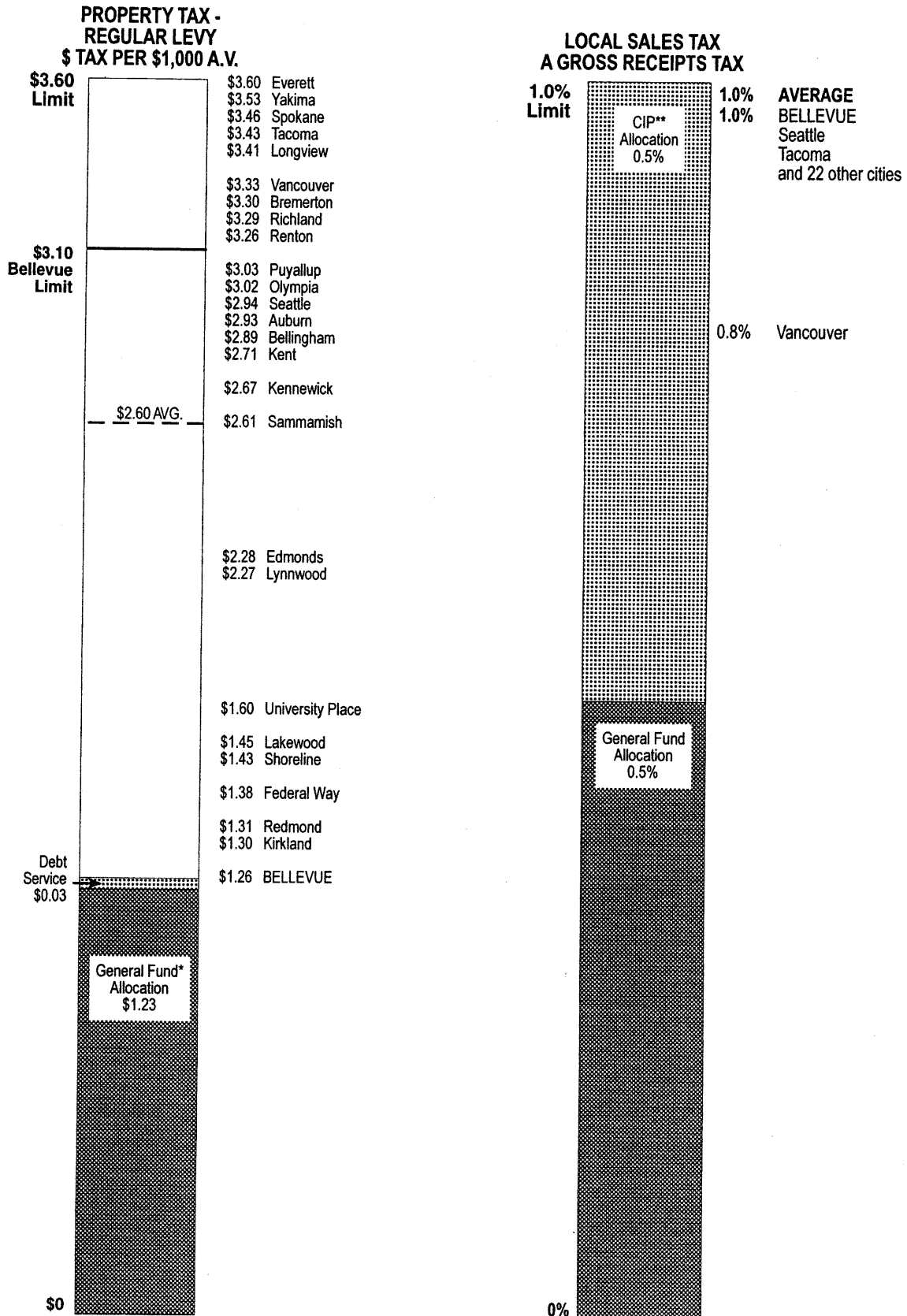
- 1) Bellevue's 2002 property tax rate was second lowest in the survey
- 2) Of the 26 largest cities in Washington, only Vancouver does not charge the fully authorized 1% sales tax.
- 3) Bellevue's b&o tax rate is about average of those cities with a b&o tax.
- 4) Bellevue's average utility tax rate of 4.8% is below the average for the largest Washington cities of 5.5%.
- 5) Of the 26 largest cities in Washington, 17 cities impose a cable utility tax ranging from 1% to 10%.

Table 1 provides additional detail on how Bellevue compares among the 26 largest Washington cities in each of the main utility taxes. This table shows that Bellevue's utility tax rates are typically at or below the average of the other cities.

Table 2 provides detail on Eastside cities with populations of less than 30,000. Five of the nine cities impose utility taxes.

Figure 4-3(A)
Comparison of 2002 Urban Tax Rates
 Rates in Effect for Property and Local Taxes as of January 2002

This figure provides a comparison of City of Bellevue tax rates to the tax rates of the 25 other Washington cities with over 30,000 population. Comparisons in Figure 4-3(A) show that Bellevue's property tax rate is well below the average for these Washington cities and that like 24 other cities, our sales tax rate is 1.0%.

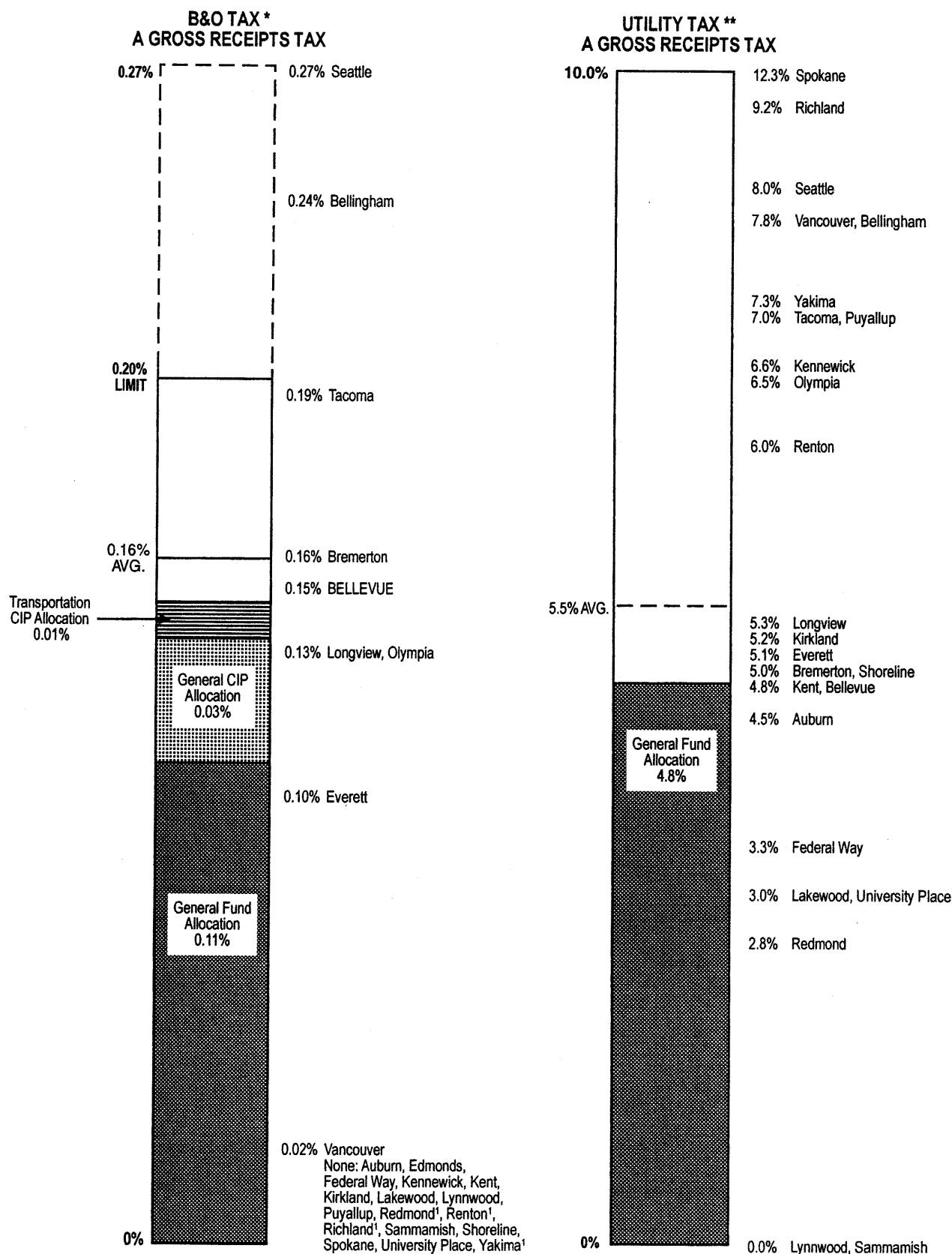


* A portion of the General Fund allocation supports the Human Services Fund.

** A portion of the CIP allocation supports the Housing, Facilities, and Land Purchase Revolving Funds, and General Fund maintenance and operating costs associated with completed capital projects.

Figure 4-3(B)
Comparison of 2002 Urban Tax Rates
 Rates in Effect for Property and Local Taxes as of January 2002

Comparisons in Figure 4-3(B) show that Bellevue's business & occupation (b&o) tax rate is equal to the average of those cities with a b&o tax (0.15%) and that Bellevue's utility tax rates are well below the average of the 25 Washington cities.



* Unweighted average b&o tax on service, retail, wholesale, manufacturing and services activities for those cities which impose a gross receipts business tax.

** Unweighted average of natural gas, electric, telephone, water, sewer, and storm drainage.

¹ Redmond, Renton, Richland, and Yakima: Business license fee based on firm size.

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ATTACHMENT D

Comparison of Bellevue Tax Rates with Other Washington Cities

Table 1: Comparisons of 2002 Urban Tax Rates for 25 Washington Cities
(Cities with greater than 30,000 population)

City	Natural				Water	Sewer	Storm/ Drainage	Cable TV
	Gas	Electric	Cellular	Telephone				
Auburn	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Bellevue	4.50%	4.50%	6.00%	6.00%	4.50%	4.50%	4.50%	N/A
Bellingham	4.50%	4.50%	6.00%	6.00%	4.50%	4.50%	4.50%	4.80%
Bremerton	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	7.00%
Everett	4.50%	4.50%	4.50%	4.50%	6.00%	6.00%	N/A	N/A
Federal Way	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Kennewick	8.50%	8.50%	8.50%	8.50%	7.00%	7.00%	N/A	7.00%
Kent	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	N/A
Kirkland	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	6.00%	6.00%
Lakewood	6.00%	6.00%	6.00%	6.00%	N/A	N/A	N/A	6.00%
Longview	6.00%	6.00%	6.00%	6.00%	7.00%	7.00%	N/A	6.00%
Lynnwood	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Olympia	6.00%	6.00%	6.00%	6.00%	7.00%	7.00%	7.00%	N/A
Puyallup	6.00%	6.00%	6.00%	6.00%	8.00%	8.00%	8.00%	3.40%
Redmond	5.50%	5.50%	5.50%	5.50%	N/A	N/A	N/A	N/A
Renton	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Richland	8.50%	8.50%	8.50%	8.50%	10.50%	10.50%	8.50%	7.50%
Sammamish	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Seattle	6.00%	6.00%	6.00%	6.00%	10.00%	10.00%	10.00%	10.00%
Shoreline	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	1.00%
Spokane	6.00%	6.00%	6.00%	6.00%	18.50%	18.50%	18.50%	6.00%
Tacoma	6.00%	6.00%	6.00%	6.00%	8.00%	8.00%	8.00%	8.00%
University Place	6.00%	N/A	6.00%	6.00%	N/A	N/A	6.00%	6.00%
Vancouver	6.00%	6.00%	6.00%	6.00%	14.50%	14.50%	N/A	N/A
Yakima	4.00%	6.00%	6.00%	6.00%	14.00%	14.00%	N/A	5.00%
Average	5.71%	5.79%	5.93%	5.93%	7.84%	7.84%	7.08%	5.84%

Table 2: 2002 Urban Tax Rates for Eastside Cities with less than 30,000 population

City	Natural				Water	Sewer	Storm/ Drainage	Cable TV
	Gas	Electric	Cellular	Telephone				
Beaux Arts	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Clyde Hill	6.0%	6.0%	6.0%	6.0%	10.0%	10.0%	N/A	10.0%
Hunts Point	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Issaquah	6.0%	6.0%	6.0%	6.0%	5.0%	N/A	N/A	N/A
Medina**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mercer Island	6.0%	6.0%	6.0%	6.0%	N/A	N/A	N/A	7.0%
New Castle	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5.0%
Woodinville	2.0%	2.0%	4.0%	4.0%	N/A	N/A	N/A	N/A
Yarrow Point	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	N/A	5.0%

Appendix E RAINY DAY RESERVE FUND - 1240

Fund Type: Special Revenue

Fund Description: The Rainy Day Reserve Fund accounts for General Fund revenues and other designated revenues placed in reserve to provide resources to be used during an economic downturn or other unforeseen expenditure needs.

Year Created: 1984

Major Revenue Sources: General Fund contributions and such other sources as designated by the City Council.

Major Expenditures: This Fund typically will have no expenditures and will accumulate monies until there is a demonstrated need to draw upon these funds.

Fund Custodian: Finance

Reserve Policy: This reserve Fund will accumulate monies based on a target of 5% of the City's unrestricted General Fund resources budget.

Other Notes: No draws have ever been made on the Rainy Day Reserve.

CITY COUNCIL AGENDA MEMORANDUM

SUBJECT

Ordinance No. _____, authorizing the issuance and sale of approximately \$6,995,000 Waterworks Utility Revenue Refunding Bonds

STAFF CONTACTS

Jan Hawn, Finance Director, 452-6846

Nav Otal, Assistant Director of Utilities, 452-2041

POLICY ISSUE

Shall the Council authorize the issuance and sale of Waterworks Utility Revenue Refunding bonds? With interest rates at their lowest level in forty years, it is prudent for the City to refund certain outstanding bonds that are eligible for refunding in order to reduce debt service costs.

DIRECTION NEEDED FROM COUNCIL

☒ Action at July 29 Special Meeting

☐ Discussion

☐ Information

FISCAL IMPACT

The proposed issuance is expected to achieve a present value savings of approximately \$520,000. This number is net of transactional costs. Actual savings, however, may vary depending on market circumstances on the date of the sale of the bonds. The size of the refunding bond is approximate; the final amount will be determined at the time of pricing the bonds.

The pricing of the bonds will need to be such that the refundings will yield a present value savings of at least three percent of the principal amount of the refunding debt being issued, in accordance with the requirements of the City's Debt Policy that was recently revised by City Council Ordinance no. 5465 on September 8, 2003. Should such savings not materialize on the day of the bond sale for each of the issuances, the City reserves the right to proceed with refunding only a portion of each of the bonds, or none at all.

BACKGROUND

The City anticipates issuing a refunding bond issue for the Water Revenue Bonds, Series 1991 and the Water Revenue Bonds, Series 1994. The Series 1991 bonds mature in 2011 and the Series 1994 mature in 2010.

The refunding bonds are scheduled to be competitively sold at 10:00 a.m. on Thursday, July 29, 2004. Thereafter, a memo will be provided to Council providing the details of the pricing and staff's recommendation. The ordinance included with this Agenda Memo has several blanks that will be filled in after the bids are received and prior to Council action. The ordinance will be presented to Council for consideration on July 29, 2004 at the 11:30 a.m. Special Meeting with the actual numbers inserted following the sale which will have occurred earlier that morning.

EFFECTIVE DATE

If approved, this ordinance becomes effective five days after its passage and publication.

OPTIONS

1. Adopt Ordinance No. _____, authorizing the issuance and sale of approximately \$6,995,000 Waterworks Utility Revenue Refunding Bonds.
2. Do not approve Ordinance No. _____ and provide alternative direction to staff to redesign the Finance Plan to utilize a different long-term financing mechanism.

RECOMMENDATION

1. Adopt Ordinance No. _____, authorizing the issuance and sale of approximately \$6,995,000 Waterworks Utility Revenue Refunding Bonds.

MOTION

Move to adopt Ordinance No. _____, authorizing the issuance and sale of approximately \$6,995,000 Waterworks Utility Revenue Refunding Bonds.

ATTACHMENTS

Proposed Ordinance No. _____

AVAILABLE IN COUNCIL OFFICE

N/A

Version: June 30, 2:37 pm (2)

SS 2-37

***Scheduled for Council Action on
July 29, 2004 Special Meeting***

**CITY OF BELLEVUE, WASHINGTON
WATERWORKS UTILITY REVENUE REFUNDING BONDS, 2004**

ORDINANCE NO. _____

AN ORDINANCE of the City of Bellevue, Washington, authorizing the issuance and sale of \$_____ principal amount of waterworks utility revenue refunding bonds to provide a portion of the funds necessary to refund the City's outstanding waterworks utility revenue bonds and to pay costs of issuing the bonds; and fixing the form, terms and covenants of the bonds.

Passed: _____, 2004

PREPARED BY:

**PRESTON GATES & ELLIS LLP
925 Fourth Avenue
Suite 2900
Seattle, Washington 98104-7078**

SS 2-38

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CITY OF BELLEVUE, WASHINGTON

ORDINANCE NO. _____

AN ORDINANCE of the City of Bellevue, Washington, authorizing the issuance and sale of \$_____ principal amount of waterworks utility revenue refunding bonds to provide a portion of the funds necessary to refund the City's outstanding waterworks utility revenue bonds and to pay costs of issuing the bonds; and fixing the form, terms and covenants of the bonds.

WHEREAS, pursuant to Ordinance No. 2169, as amended by Ordinance No. 2181, the sanitary sewerage system of the City of Bellevue, Washington (the "City"), was combined with and became a part of the waterworks utility of the City and, pursuant to Ordinance No. 2845, the storm and surface water utility of the City created and established by Ordinance No. 2003 was combined with and made a part of such combined water distribution system and sanitary sewerage system, and such combined systems (hereinafter defined together with all additions thereto and betterments and extensions thereof heretofore or hereafter made as the "Waterworks Utility") are maintained and operated jointly; and

WHEREAS, pursuant to Ordinance No. 4284 of the City, the City issued \$2,600,000 principal amount of its "Water and Sewer Revenue Bonds, 1991" (the "1991 Bonds"), which bonds are currently outstanding in the principal amount of \$1,485,000; and

WHEREAS, pursuant to Ordinance No. 4678 of the City, the City issued \$11,740,000 principal amount of its "Water and Sewer Revenue Refunding Bonds, 1994" (the "1994 Bonds"), which bonds are currently outstanding in the principal amount of \$6,645,000; and

WHEREAS, the City wishes to authorize the issuance of bonds secured by revenues of the Waterworks Utility to refund all of the outstanding 1991 Bonds and 1994 Bonds;

WHEREAS, the City provided notice of its intent to sell the bonds by competitive bid in the form of the Official Notice of Bond Sale, attached as Exhibit A, and received _____ bids for the purchase of the bonds; and

WHEREAS, _____ submitted the bid, attached as Exhibit B, to purchase the bonds at the lowest true interest cost to the City; NOW THEREFORE,

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DO ORDAIN, as follows:

Section 1. Definitions. As used in this ordinance the following words shall have the following meanings:

“Accreted Value” means:

(1) with respect to any Deferred Interest Bonds, as of the time of calculation, the sum of the amount representing the initial principal amount of such Deferred Interest Bonds as set forth in the applicable ordinance authorizing the issuance of Parity Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or

(2) with respect to original issue discount bonds under the Code, as of the time of calculation, the amount representing the initial public offering price of such original issue discount bonds plus the amount of the discounted principal which has accreted since the date of issue, determined in accordance with the provisions of the applicable ordinance authorizing the issuance of Parity Bonds.

“Acquired Obligations” means the obligations acquired pursuant to Section 20 hereof to refund the Refunded Bonds.

“Annual Debt Service” for any fiscal year or calendar year means the sum of:

(a) the interest due in such year on all outstanding Parity Bonds excluding, however, interest to be paid from the proceeds of Parity Bonds, and any Payment Agreement Payments due in such year,

(b) the principal of all outstanding Serial Bonds due in such year, and

(c) the Sinking Fund Requirement, if any, for such year.

For the purpose of calculating Annual Debt Service for purposes of the Future Parity Bonds tests outlined in Section 12 and the Reserve Account Requirement:

(i) in the case of Variable Rate Bonds, the interest rate thereon shall be calculated on the assumption that such Parity Bonds will bear interest during such period at a rate equal to (i) the average rate borne by the Variable Rate Bonds outstanding during the 12 months preceding the date of calculation or (ii) if the Variable Rate Bonds were not Outstanding during such preceding 12 months, the rate equal to an average of the BMA Index for 12 months of the 13 months preceding the date of calculation; provided, that if a Payment Agreement is executed in connection with a series of Variable Rate Bonds that has the effect of converting the Variable Rate to a synthetic fixed rate of interest or limiting the range of possible Variable Rates, then for purposes of calculating Annual Debt Service, the assumed interest rate for such Parity Bonds shall be the synthetic fixed rate of interest or maximum Variable Rate, as applicable, payable by the City under the Payment Agreement for the term of the Payment Agreement;

(ii) in the case of Parity Bonds bearing a fixed rate of interest and if a Payment Agreement is executed in connection with those Parity Bonds that has the effect of converting the fixed rate of interest thereon to a synthetic Variable Rate, then for purposes of calculating Annual Debt Service, the assumed interest rate for such Parity Bonds shall be the maximum synthetic

Variable Rate payable by the City under the Payment Agreement for the term of the Payment Agreement; and

(iii) in the case of Deferred Interest Bonds, the Accreted Value becoming due at maturity, or by virtue of a mandatory sinking fund deposit, shall be included in the calculation of Annual Debt Service and references in this Ordinance to principal on Parity Bonds shall include the Accreted Value of any Capital Appreciated Bonds.

Notwithstanding the foregoing, debt service on Parity Bonds with respect to which a Payment Agreement is in force shall be calculated by the City to reflect the net economic effect on the City intended to be produced by the terms of such Parity Bonds and the terms of such Payment Agreement, in accordance with the requirements applicable to such Payment Agreement.

“Arbitrage Certificate” means the Arbitrage and Tax Certification executed by the Finance Director pertaining to certain federal tax matters and to the calculation and payment of any Rebate Amount with respect to the Bonds.

“Assessments” means assessments (including interest and penalties) levied in any utility local improvement district of the City for the acquisition or construction of additions and improvements to and extension of the Waterworks Utility, if such assessments are pledged to be paid into the Bond Fund.

“Average Annual Debt Service” means the amount determined by dividing (a) the sum of all interest and principal to be paid on all Parity Bonds from the date of determination to the last maturity date of such Parity Bonds, by (b) the number of fiscal years or calendar years from and including the fiscal year or calendar year in which the determination is made to the last fiscal year or calendar year in which any of such Parity Bonds will be outstanding.

"BMA Index" means the BMA Municipal Swap Index disseminated by Municipal Market Data, a Thomson Financial Services Company, or its successor, or a comparable index selected by the Authority if such index is no longer published.

"Bond Fund" means that special fund of the City to be known as the "Waterworks Utility Revenue Bond Redemption Fund," authorized to be created pursuant to Section 7 of this ordinance for the payment of principal of and interest on the Bonds and any Future Parity Bonds.

"Bond Insurance Policy" means the municipal bond insurance policy issued by the Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein.

"Bond Registrar" means the fiscal agency of the State of Washington in either Seattle, Washington, or New York, New York, whose duties include registering and authenticating the Bonds, maintaining the Bond Register, transferring ownership of the Bonds, and paying the principal of and interest on the Bonds.

"Bonds" means the \$ _____ par value of "Waterworks Utility Revenue Refunding Bonds, 2004" authorized to be issued by the City pursuant to this ordinance.

"City" means the City of Bellevue, Washington.

"Code" means the federal Internal Revenue Code of 1986, as amended, and applicable regulations thereunder.

"Commission" means the Securities and Exchange Commission.

"Contract Resource Obligation" means an obligation of the City, designated as a Contract Resource Obligation and entered into pursuant to Section 25 of this ordinance, to make payments for water or sewer supply, transmission or other commodity or service to another person or entity (including without limitation a separate utility system created pursuant to Section 24 of this ordinance).

"Council" means the City Council of the City, the general legislative authority of the City, as the same shall be duly and regularly constituted from time to time.

"Debt Service Account" means the account of that name in the Bond Fund created pursuant to Section 7 of this ordinance.

"Deferred Interest Bonds" means any Parity Bonds, all or a portion of the interest on which is compounded and accumulated at the rates or in the manner, and on the dates, set forth in the applicable ordinance authorizing the issuance of Parity Bonds and is payable only upon redemption or on the maturity date of such Parity Bonds. Parity Bonds that are issued as Deferred Interest Bonds, but later convert to obligations on which interest is paid periodically, shall be Deferred Interest Bonds until the conversion date and thereafter shall no longer be Deferred Interest Bonds, but shall be treated as having a principal amount equal to their Accreted Value on the conversion date.

"DTC" means The Depository Trust Company, New York, New York.

"Escrow Agent" means the bank or trust company appointed by the Finance Director pursuant to Section 20 hereof.

"Escrow Agreement" means the agreement between the City and the Escrow Agent entered into pursuant to Section 21 hereof.

"Finance Director" means the Finance Director of the City, or any other officer who succeeds to substantially all of the responsibilities of that office specified in this ordinance.

"Future Parity Bonds" means all revenue bonds or other revenue obligations of the City issued after the date of the issuance of the Bonds and having a lien upon Gross Revenue for the payment of the principal thereof and interest thereon equal to the lien upon Gross Revenue for the payment of the principal of and interest on the Bonds.

"Government Obligations" has the meaning given to such term in RCW Chapter 39.53, as the same may be amended from time to time.

"Gross Revenue" means all earnings, revenue and money, except Assessments, received by the City from or on account of the operation of the Waterworks Utility, including proceeds from the sale, lease or other disposition of any of the properties or facilities of the Waterworks Utility, and the income from investments of money in the Revenue Fund and any bond fund or from any other investment thereof except the income from investments irrevocably pledged to the payment of revenue bonds pursuant to a plan of retirement or refunding. The words "Gross Revenue" shall not include capital recovery charges, grants or bond proceeds, but shall include federal or state reimbursements of operating expenses to the extent such expenses are included as "Operation and Maintenance Expenses."

"Insurer" means _____.

"MSRB" means the Municipal Securities Rulemaking Board or any successor to its functions.

"Net Revenue" means Gross Revenue less the Operation and Maintenance Expenses.

"1991 Bonds" means the outstanding "Water and Sewer Revenue Bonds, 1991" issued pursuant to Ordinance No. 4284.

"1994 Bonds" means the outstanding "Water and Sewer Revenue Refunding Bonds, 1994" issued pursuant to Ordinance No. 4678.

"NRMSIR" means a nationally recognized municipal securities information repository.

"Operation and Maintenance Expenses" means all expenses incurred by the City in causing the Waterworks Utility to be operated and maintained in good repair, working order and condition, including without limitation: deposits, premiums, assessments or other payments for

insurance, if any, on the Waterworks Utility; payments into pension funds; State-imposed taxes; amounts due under Contract Resource Obligations (but only at the times described in Section 25 of this ordinance); payments made to any other person or entity for the receipt of water or sewer supply or transmission or other right, commodity or service; payments made to any other person or entity that are required in connection with the operation of the Waterworks Utility or the acquisition or transmission of water or sewer or storm water and that are not subordinate to the lien of the Parity Bonds; and payments with respect to any other expenses of the Waterworks Utility that are properly treated as operation and maintenance expenses under generally accepted accounting principles applicable to municipal corporation. Operation and Maintenance Expenses does not include any depreciation or taxes levied or imposed by the City, Payment Agreement Payments, or payments to the City in lieu of taxes, or capital additions or capital replacements to the Waterworks Utility.

“Parity Bonds” means the Bonds and any Future Parity Bonds.

“Payment Agreement” means, to the extent permitted from time to time by applicable law, a written agreement entered into by the City (i) in connection with or incidental to the issuance, incurring or carrying of any Parity Bonds; (ii) for the purpose of managing or reducing the City’s exposure to fluctuations or levels of interest rates, currencies or commodities or for other interest rate, investment, asset or liability management purposes; (iii) with a Qualified Counterparty; and (iv) which provides, on either a current or forward basis, for an exchange of payments determined in accordance with a formula specified therein.

“Payment Agreement Payments” means the amounts periodically required to be paid by the City to the Qualified Counterparty pursuant to a Payment Agreement. The term “Payment

Agreement Payments” does not include any termination payment required to be paid with respect to a Payment Agreement.

“Payment Agreement Receipts” means the amounts periodically required to be paid by the Qualified Counterparty to the City pursuant to a Payment Agreement.

“Permitted Investments” means any investments or investment agreements permitted for cities under the laws of the State of Washington as amended from time to time.

“Professional Utility Consultant” means the independent person(s) or firm(s) selected by the City having a favorable reputation for skill and experience with water and wastewater systems of comparable size and character to the Waterworks Utility in such areas as are relevant to the purposes for which they are retained.

“Purchaser” means _____.

“Qualified Counterparty” means with respect to a Payment Agreement an entity (i) whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability or whose payment obligations under a Payment Agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability are rated (at the time the Payment Agreement is entered into) at least as high as A3 by Moody’s and A- by S&P, or the equivalent thereof by any successor thereto, and (ii) who is otherwise qualified to act as the other party to a Payment Agreement under any applicable laws of the State.

“Qualified Insurance” means any unconditional municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States or by a service corporation acting on behalf of one or more such insurance companies, which insurance company or service corporation, as of the time of issuance of such

policy or surety bond, is currently rated in one of the two highest rating categories by Moody's Investors Service and Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, or their comparably recognized business successors.

"Qualified Letter of Credit" means any irrevocable letter of credit issued by a financial institution for the account of the City on behalf of the owners of any Parity Bonds, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit, is currently rated in one of the two highest rating categories by Moody's Investors Service or Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, Inc., or their comparably recognized business successors.

"Rate Stabilization Account" means the account of that name authorized to be created within the Revenue Fund pursuant to Section 6 of this ordinance.

"Refunded Bonds" means the 1991 Bonds and the 1994 Bonds.

"Refunding Account" means the City of Bellevue Waterworks Utility Revenue Bond Refunding Account established by Section 20 hereof.

"Registered Owner" means the registered owner of any Parity Bonds.

"Reserve Account" means the account of that name authorized to be created in the Bond Fund pursuant to Section 9 hereof to secure the payment of principal of and interest on the Bonds.

"Reserve Account Requirement" means with respect to the Bonds, at the time of calculation, the lesser of (a) 125% of Average Annual Debt Service with respect to the Bonds or (b) maximum Annual Debt Service with respect to the Bonds; provided, however, that the Reserve Account Requirement for the Bonds shall not exceed 10% of the initial principal amount

of the Bonds. The Reserve Account Requirement, if any, with respect to Future Parity Bonds will be specified in the ordinance authorizing the issuance of such Parity Bonds.

“Revenue Fund” means that special fund created by Ordinance No. 2169, as amended by Ordinance No. 2181, in the office of the Finance Director known as the “Waterworks Utility Revenue Fund,” into which the City has pledged to pay all of the Gross Revenue of the Waterworks Utility as collected.

“Rule” means the Commission’s Rule 15c2-12 under the Securities and Exchange Act of 1934, as the same may be amended from time to time.

“Serial Bonds” means Parity Bonds other than Term Bonds.

“SID” means a state information depository for the State of Washington (if one is created).

“Sinking Fund Requirement” means, for any fiscal year or calendar year, the principal amount of Term Bonds required to be purchased, redeemed or paid at maturity in such year as established by the ordinance of the City authorizing the issuance of such Term Bonds.

“Term Bonds” means the Bonds identified as such, if any, and any Future Parity Bonds identified as Term Bonds in the ordinance authorizing the issuance thereof, the payment of the principal of which is provided for by a mandatory schedule of deposits of money equal (in the aggregate) to the full principal amount of such Term Bonds, into the Bond Fund, and by a mandatory redemption schedule corresponding (as to time and amounts) to such mandatory schedule of deposits.

“Variable Rate” means a variable interest rate or rates to be borne by a series of Parity Bonds or any one or more maturities within a series of Parity Bonds. The method of computing such variable interest rate shall be specified in the ordinance authorizing such Parity Bonds;

provided, that such variable interest rate shall be subject to a maximum interest rate set forth in such ordinance.

“Variable Rate Bonds” means Parity Bonds that bear interest at a Variable Rate; provided, that Parity Bonds the interest rate on which shall have been fixed for the remainder of their term to maturity shall no longer be Variable Rate Bonds.

“Waterworks Utility” means the combined water distribution and sanitary sewerage system of the City, as combined by Ordinance No. 2169, as amended by Ordinance No. 2181, and the storm and surface water system of the City combined therewith by Ordinance No. 2845, as the same may be added to, improved and extended for as long as any of the Parity Bonds are outstanding. The Waterworks Utility shall not include any water supply or service or other facilities that may be created, acquired or constructed by the City as a separate utility system as provided in Section 24 of this ordinance.

Section 2. Authorization of the Bonds. The City shall now issue and sell \$_____ principal amount of Waterworks Utility revenue bonds to refund the 1991 Bonds and the 1994 Bonds. The Bonds shall be designated as the “City of Bellevue, Washington, Waterworks Utility Revenue Refunding Bonds, 2004,” shall be dated August 1, 2004; shall be fully registered as to both principal and interest, shall be in the denomination of \$5,000 each or any integral multiple thereof, provided that no Bond shall represent more than one maturity, and shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for identification.

The Bonds shall bear interest (computed on the basis of a 360-day year of twelve 30-day months) from their date or from the most recent interest payment date to which interest has been paid or duly provided for, whichever is later, payable on October 1, 2004, and semiannually

thereafter on each succeeding April 1 and October 1, to the maturity [or earlier mandatory sinking fund redemption] of the Bonds, at the rates, and shall mature on October in the years and in the amounts set forth below.

<u>Maturity Year</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity Year</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
	\$	%		\$	%

Section 3. Registration, Exchange and Payments.

A. Registrar/Bond Register. The City hereby adopts for the Bonds the system of registration specified and approved by the Washington State Finance Committee, which utilizes the fiscal agencies of the State of Washington in Seattle, Washington, and New York, New York, as registrar, authenticating agent, paying agent and transfer agent (collectively, the "Bond Registrar"). The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the City. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver the Bonds transferred or exchanged in accordance with the provisions of

such Bonds and this ordinance and to carry out all of the Bond Registrar's powers and duties under this ordinance.

The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bonds. The Bond Registrar may become the Registered Owner of Bonds with the same rights it would have if it were not the Bond Registrar, and to the extent permitted by law may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Registered Owners.

B. Registered Ownership. The City and the Bond Registrar may treat the Registered Owner of each Bond as the absolute owner thereof for all purposes, and neither the City nor the Bond Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 3.G hereof, but such registration may be transferred as herein provided. All such payments made as described in Section 3.G shall be valid and shall satisfy and discharge the liability of the City upon such Bond to the extent of the amount or amounts so paid. The City and the Bond Registrar shall be entitled to treat the person in whose name any Bond is registered as the absolute owner thereof for all purposes of this ordinance and any applicable laws, notwithstanding any notice to the contrary received by the Bond Registrar or the City.

C. DTC Acceptance/Letter of Representations. The Bonds initially issued shall be held in fully immobilized form by DTC acting as depository. To induce DTC to accept the Bonds as eligible for deposit at DTC, the City has heretofore executed and delivered to DTC a Blanket Issuer Letter of Representations.

Neither the City nor the Bond Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Bonds in respect of

the accuracy of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC participant of any amount in respect of the principal of or interest on the Bonds, any notice which is permitted or required to be given to Registered Owners under this ordinance (except such notices as shall be required to be given by the City to the Bond Registrar or to DTC), or any consent given or other action taken by DTC as the Registered Owner. For so long as any Bonds are held in fully immobilized form hereunder, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners shall mean DTC or its nominee and shall not mean the owners of any beneficial interest in the Bonds.

D. Use of Depository.

(1) The Bonds shall be registered initially in the name of "Cede & Co.," as nominee of DTC, with one Bond maturing on each of the maturity dates for the Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (i) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (ii) to any substitute depository appointed by the Finance Director pursuant to subsection (2) below or such substitute depository's successor; or (iii) to any person as provided in subsection (4) below.

(2) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Finance Director to discontinue the system of book-entry transfers through DTC or its successor (or any substitute depository or its successor), the Finance Director may hereafter appoint a substitute depository.

Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) In the case of any transfer pursuant to clause (i) or (ii) of subsection (1) above, the Bond Registrar shall, upon receipt of all outstanding Bonds, together with a written request on behalf of the Finance Director, issue a single new Bond for each maturity of such Bonds then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the Finance Director.

(4) In the event that (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (ii) the Finance Director determines that it is in the best interest of the beneficial owners of any of the Bonds that they be able to obtain such Bonds in the form of bond certificates, the ownership of Bonds may then be transferred to any person or entity as herein provided, and the Bonds shall no longer be held in fully immobilized form. The Finance Director shall deliver a written request to the Bond Registrar, together with a supply of definitive Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt of all then outstanding Bonds by the Bond Registrar together with a written request on behalf of the Finance Director to the Bond Registrar, new Bonds shall be issued in such denominations and registered in the names of such persons as are requested in such written request.

E. Transfer or Exchange of Registered Ownership; Change in Denominations. The registered ownership of any Bond may be transferred or exchanged, but no transfer of any Bond shall be valid unless it is surrendered to the Bond Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the Bond Registrar

shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and cancelled Bond. Any Bond may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, maturity and interest rate, in any authorized denomination. The Bond Registrar shall not be obligated to transfer or exchange any Bond during a period beginning at the opening of business on the 15th day of the month next preceding any interest payment date and ending at the close of business on such interest payment date, or, in the case of any proposed redemption of the Bonds, after the mailing of notice of the call of such Bonds for redemption.

F. Registration Covenant. The City covenants that, until all Bonds have been surrendered and canceled, it will maintain a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code.

G. Place and Medium of Payment. Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. For so long as all Bonds are in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds shall be paid by check or draft mailed or other transfer of funds to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date, and principal of the Bonds shall be payable

upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Bond Registrar.

Section 4. Redemption.

A. No Optional Redemption. The Bonds are not subject to optional redemption prior to their maturities.

[B. Mandatory Sinking Fund Redemption. The Bonds maturing on October 1, 20____ and October 1, 20____ are Term Bonds and shall be redeemed prior to maturity by lot (or paid at maturity), not later than October 1 in the years and in the principal amounts set forth below, without premium, together with the interest accrued to the date fixed for redemption.

Bonds Maturing on October 1, 20____

<u>Year</u>	<u>Amount</u>
	\$

* Final Maturity

Bonds Maturing on October 1, 20____

<u>Year</u>	<u>Amount</u>
	\$

* Final Maturity]

C. Partial Redemption. If less than all of the Bonds subject to mandatory redemption are called for redemption, then the City shall choose the maturities to be redeemed. If less than a whole of a maturity is called for redemption, the Bonds to be redeemed shall be chosen randomly in integral multiples of \$5,000 by the Bond Registrar or, so long as the Bonds are registered in the name of CEDE & Co. or its registered assign, by DTC. To the extent the City

purchases for cancellation any Term Bonds, the City may reduce the mandatory sinking fund requirements of such Term Bonds of the same maturity, in like aggregate principal amount for the year or years specified by the City. If less than all of the principal amount of any Bond is redeemed, upon surrender of such Bond at the principal office of the Bond Registrar, there shall be issued to the Registered Owner, without charge, for the then unredeemed balance of the principal amount, a new Bond or Bonds, at the option of the registered owner, of like maturity and interest rate in any authorized denomination.

D. Notice of Redemption. Written notice of any redemption of Bonds shall be given by the Bond Registrar on behalf of the City by first class mail, postage prepaid, not less than 30 days nor more than 60 days before the redemption date to the Registered Owners of Bonds that are to be redeemed at their last addresses shown on the Bond Register. So long as the Bonds are in book-entry form, notice of redemption shall be given as provided in the Letter of Representations. The Bond Registrar shall provide additional notice of redemption (at least 30 days) to each NRMSIR and SID, if any, in accordance with Section 23.

The requirements of this section shall be deemed complied with when notice is mailed, whether or not it is actually received by the owner.

Each notice of redemption shall contain the following information: (1) the redemption date, (2) the redemption price, (3) if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the Bonds to be redeemed, (4) that on the redemption date the redemption price will become due and payable upon each Bond or portion called for redemption, and that interest shall cease to accrue from the redemption date, (5) that the Bonds are to be surrendered for payment at the principal office of the Bond Registrar, (6) the CUSIP numbers of all Bonds being redeemed, (7) the dated date of

the Bonds, (8) the rate of interest for each Bond being redeemed, (9) the date of the notice, and (10) any other information needed to identify the Bonds being redeemed.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

E. Effect of Redemption. Unless the City has revoked a notice of redemption, the City shall transfer to the Bond Registrar amounts that, in addition to other money, if any, held by the Bond Registrar, will be sufficient to redeem, on the redemption date, all the Bonds to be redeemed. From the redemption date interest on each Bond to be redeemed shall cease to accrue.

F. Amendment of Notice Provisions. The foregoing notice provisions of this section, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

G. Purchase on Open Market. The City reserves the right to purchase any of the Bonds in the open market at any time and at any price.

Section 5. Revenue Fund. There has heretofore been created by Ordinance No. 2169, as amended by Ordinance No. 2181, a special fund of the City known as the "Waterworks Utility Revenue Fund" (the "Revenue Fund") into which the City has pledged pursuant to Section 7(C) hereof to pay all of the Gross Revenues of the Waterworks Utility as collected and into which the City pledges to continue to pay all of the Gross Revenue of the Waterworks Utility.

The Gross Revenue deposited in the Revenue Fund shall be used only for the following purposes and in the following order of priority:

FIRST, to pay the Operation and Maintenance Expenses and to maintain a balance in the Revenue Fund sufficient in amount to enable the City to continuously meet Operation and Maintenance Expenses on a current basis;

SECOND, to make all payments required to be made into the Bond Fund to pay interest on any Parity Bonds;

THIRD, to make all payments required to be made into the Bond Fund to pay the maturing principal of any Serial Bonds, to make all payments required to be made into the Bond Fund to satisfy the Sinking Fund Requirement and to make any Payment Agreement Payments with respect to any Payment Agreements;

FOURTH, to make all payments required to be made pursuant to a reimbursement agreement or agreements (or other equivalent documents) in connection with Qualified Insurance or a Qualified Letter of Credit; provided that if there is not sufficient money to make all payments under all reimbursement agreements the payments will be made on a pro rata basis;

FIFTH, to make all payments required to be made into the Reserve Account to secure the payment of the principal of and interest on outstanding Bonds and to make all payments required to be made into any Reserve Account to secure payment of the principal of and interest on Future Parity Bonds;

SIXTH, to make all payments required to be made into any revenue bond redemption fund, revenue warrant redemption fund, debt service account, reserve account or bond retirement account created to pay and secure the payment of the principal of and interest on any revenue bonds, or revenue warrants or other revenue obligations of the City having a lien upon Gross Revenue junior and inferior to the lien thereon for the payment of the principal of and interest on the Parity Bonds; and

SEVENTH, to retire by redemption or purchase in the open market any outstanding Waterworks Utility revenue bonds, Waterworks Utility revenue warrants or other Waterworks Utility revenue obligations of the City, to make necessary additions, betterments, improvements and repairs to or extensions and replacements of the Waterworks Utility, to make deposits into the Rate Stabilization Account, or for any other lawful City purposes.

Section 6. Rate Stabilization Account. A special account of the City to be designated the "Water and Sewer Rate Stabilization Account" (the "Rate Stabilization Account") is hereby authorized to be created within the Revenue Fund, at the discretion of the [Utility Director], to cope with future increases in revenue requirements of the Waterworks Utility. In accordance with the provisions of Section 5 of this ordinance, the City may from time to time appropriate or budget amounts in the Revenue Fund for deposit in the Rate Stabilization Account and may from time to time withdraw amounts therefrom to prevent or mitigate water and sewer rate increases or for other lawful purposes of the City related to the Waterworks Utility. Amounts withdrawn from the Rate Stabilization Account shall increase Gross Revenue for the period for which they are withdrawn, and amounts deposited in the Rate Stabilization Account shall reduce Gross Revenue for the period for which they are deposited. Credits to or from the Rate Stabilization Account that occur within 90 days after the end of a fiscal year may be treated as occurring within such fiscal year. Earnings on the Rate Stabilization Account shall be credited to the Revenue Fund.

Section 7. Bond Fund. There has heretofore created by Ordinance No. 2328 a fund of the City to be hereafter known as the "Waterworks Utility Revenue Bond Redemption Fund" (the "Bond Fund"), which fund shall be drawn upon for the sole purpose of paying the principal of, premium if any, and interest on the Bonds and any Future Parity Bonds. The money in the Bond Fund shall be kept separate and apart from all other funds and accounts of the City.

A. Debt Service Account. A special account known as the Debt Service Account is hereby authorized to be created in the Bond Fund for the purpose of paying the principal of, premium, if any, and interest on the Parity Bonds.

As long as any of the Bonds remain outstanding, the City hereby irrevocably obligates and binds itself to set aside and pay from the Revenue Fund into the Debt Service Account, on or before the date due, those amounts necessary, together with Gross Revenue collected and deposited and such other money as is on hand and available therefor in the Debt Service Account, to pay the interest or principal and interest next coming due on the outstanding Bonds.

The City covenants and agrees that in the event it issues any Future Parity Bonds that are Term Bonds, it will provide in each ordinance authorizing the issuance of the same for annual payments to be made from the Revenue Fund into the Debt Service Account sufficient together with Gross Revenue collected and deposited and such other money as is on hand and available therefor in such account to satisfy the Sinking Fund Requirement with respect to such Term Bonds.

B. Reserve Account. A Reserve Account is hereby created in the Bond Fund for the purpose of securing the payment of the principal of and interest on the Bonds. The City hereby covenants and agrees that it will transfer into the Reserve Account [from amounts within the City's Water and Sewer Revenue Bond Fund, 1991 and Water and Sewer Refunding Revenue Bond Fund, 1994 or other available funds,] a sum equal to the Reserve Account Requirement for the Bonds or will satisfy such requirement by obtaining Qualified Insurance or a Qualified Letter of Credit.

An ordinance authorizing Future Parity Bonds shall establish a separate Reserve Account for such series of Parity Bonds, and shall require that the Reserve Account Requirement, if any, for such Future Parity Bonds shall be deposited therein.

The Reserve Account Requirement for the Bonds shall be maintained by such additional payments to the Reserve Account as are hereinafter described until such time as all of the Bonds and the interest thereon are retired and paid. The City may substitute Qualified Insurance or a Qualified Letter of Credit for amounts required to be deposited into the Reserve Account. Such Qualified Letter of Credit or Qualified Insurance shall not be cancellable on less than five years' notice. In the event of any cancellation, the Reserve Account shall be funded in accordance with the provisions of this section providing for payment in the event of a deficiency therein, as if the Bonds that remain outstanding had been issued on the date of such notice of cancellation. The City further covenants and agrees that when the required deposits have been made into the Reserve Account, it will at all times maintain therein an amount at least equal to the Reserve Account Requirement. Whenever there is a sufficient amount in the Bond Fund, including all accounts therein, to pay the principal of, premium, if any, and interest on all outstanding Bonds, the money in the Reserve Account may be used to pay the principal of, premium, if any, and interest on the Bonds. Money in the Reserve Account may also be withdrawn to redeem and retire, and to pay the premium, if any, and interest due to such date of redemption, on the outstanding Bonds, as long as the money remaining on deposit in such Reserve Account is at least equal to the Reserve Account Requirement determined with respect to the Bonds then outstanding.

In the event the Bonds outstanding are ever refunded, the money set aside in the Reserve Account to secure the payment thereof may be used to retire Bonds or may be transferred to any

other reserve account that may be created to secure the payment of any bonds issued to refund the Bonds.

In the event there shall be a deficiency in the Debt Service Account to meet maturing installments of either interest on or principal of and interest on the outstanding Bonds payable out of such Account, such deficiency shall be made up from the Reserve Account by the withdrawal of money therefrom and by the sale or redemption of obligations held in the Reserve Account, if necessary, in such amounts as will provide cash in the Reserve Account sufficient to make up any such deficiency, and if a deficiency still exists immediately prior to an interest payment date and after the withdrawal of cash, the City shall then draw from any Qualified Letter of Credit, Qualified Insurance, or other equivalent credit facility in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide. If more than one Qualified Letter of Credit or Qualified Insurance is available, draws shall be made ratably thereon to make up the deficiency. Any deficiency created in the Reserve Account by reason of any such withdrawal shall then be made up from money in the Revenue Fund first available after making the payments required to be made under paragraphs "FIRST" through "FOURTH" of Section 5 of this ordinance.

C. Lien of Bond Fund. The Bonds, together with the interest thereon, shall be payable from Assessments, if any, and Gross Revenue, and such Gross Revenue is hereby pledged and set aside out of the Revenue Fund into the Bond Fund. Said amounts so pledged are hereby declared to be a lien and charge upon Assessments, if any, and Gross Revenue equal to the lien and charge thereon to secure and pay the principal of and interest on any Future Parity Bonds and

superior to all other charges of any kind or nature, except the Operation and Maintenance Expenses.

D. Investment of Money in Bond Fund. All money in the Debt Service Account or Reserve Account may be kept in cash or invested in Permitted Investments maturing not later than the last maturity of the Bonds outstanding at the time of such purchase. Interest earned on or profits made from the sale of such investments shall be deposited in and become a part of the Bond Fund or the Revenue Fund.

Section 8. Adequacy of Revenue. The Council hereby declares that in fixing the amounts to be paid into the Bond Fund it has considered and has due regard for the Operation and Maintenance Expenses and has not obligated the City to set aside and pay into the Bond Fund more money from the Revenue Fund than in its judgment will be available over and above such Operation and Maintenance Expenses.

Section 9. General Covenants. The City hereby covenants with the owner of each of the Bonds for as long as any of the same remain outstanding as follows:

A. Rates and Charges. The City covenants that it will establish, maintain and collect lawful rates and charges for the use of the services and facilities of the Waterworks Utility, and shall adjust such rates and charges from time to time so that:

(1) Gross Revenue will at all times be sufficient (a) to pay all Operation and Maintenance Expenses and to pay all taxes, assessments or other governmental charges lawfully imposed on the Waterworks Utility or the revenue therefrom or payments in lieu thereof and any and all other amounts that the City may now be and hereafter become obligated to pay from Gross Revenue by law or contract, and, (b) together with Assessments actually collected, to pay the principal of and interest on all outstanding Parity Bonds as and when the same become due and

payable, to make all payments required to be made into the Bond Fund to satisfy the Sinking Fund Requirement, and to make when due all payments required to be made into the Reserve Account and any reserve account established for Future Parity Bonds; and

(2) the Net Revenue in each calendar year will equal at least 1.25 times Annual Debt Service for such year (after deducting from Annual Debt Service those Assessments actually collected for such year). For the purpose of meeting the requirement of this paragraph there may be added to Net Revenue for any calendar year any amount withdrawn from the Rate Stabilization Account and credited to Gross Revenue as provided in Section 6 of this ordinance. There shall be subtracted from Net Revenue for any calendar year any amounts in such year withdrawn from the Revenue Fund and deposited into the Rate Stabilization Account in such calendar year.

B. Maintenance of Waterworks Utility. The City covenants that it will at all times keep and maintain the Waterworks Utility in good repair, working order and condition, and will at all times operate the same and the business in connection therewith in an efficient manner and at a reasonable cost.

C. Sale or Disposition of the Waterworks Utility. The City will not sell, mortgage, lease or otherwise dispose of or encumber all or any portion of the Waterworks Utility, except as follows:

(1) The City may sell, mortgage, lease or otherwise dispose of all or substantially all of the Waterworks Utility if, simultaneously with such sale, mortgage, lease or other disposition or encumbrance, provision is made for the payment into the Bond Fund of cash or Government Obligations sufficient together with interest to be earned thereon to pay the principal of and interest on all then outstanding Parity Bonds.

of the Waterworks Utility, or no longer necessary, material to or useful in such operation, without making any deposit into the Bond Fund.

D. Collection of Assessments; Subordinate Obligations. The City shall promptly collect all Assessments levied in any utility local improvement district now or hereafter created to secure the payment of the principal of and interest on any Parity Bonds and shall pay the same into the Bond Fund without allocation of such Assessments to any particular series of Parity Bonds. It is hereby provided further, however, that nothing in this ordinance or in this subsection shall be construed to prohibit the City from issuing revenue bonds having a lien on Gross Revenue junior to the lien on such revenue for the payment of the principal of and interest on Parity Bonds and pledging as security for the payments of such junior lien bonds assessments levied in any utility local improvement district that may have been created to pay part or all the cost of improvements to the Waterworks Utility for which such junior lien revenue bonds were specifically issued.

E. Books and Accounts. The City covenants that it will maintain complete books and records relating to the operation of the Waterworks Utility and its financial affairs, and will cause such books and records to be audited annually, and cause to be prepared an annual financial and operating statement, said statement to be mailed to any owner of Parity Bonds upon request.

F. Insurance. The City covenants that it will carry fire and extended coverage insurance on the Waterworks Utility as is ordinarily carried on the property of similar public utilities by other municipal corporations engaged in the operation of the same if such insurance can be obtained at a reasonable cost, to the full insurable value thereof, and will also carry adequate public liability insurance and other kinds of insurance as under good practices are ordinarily carried on the properties of similar public utilities by private companies engaged in the

operation of the same; provided, however, that the City may if deemed necessary and advisable by the Council, institute or continue a self-insurance program with respect to any or all of the aforementioned risks. The premiums paid for all such insurance shall be regarded and paid as an Operation and Maintenance Expense.

G. Delinquencies. The City covenants that it will promptly collect all service charges and Assessments, determine in a timely manner all delinquencies, and take all necessary legal action to enforce collection of such delinquencies.

H. No Free Service. Except as permitted by law, the City will not furnish any service of the Waterworks Utility to any customer free of charge.

Section 10. Tax Covenants; Special Designation. The City covenants to undertake all actions required to maintain the tax-exempt status of interest on the Bonds under Section 103 of the Code as set forth in the Arbitrage Certificate that will be executed upon the issuance of the Bonds.

Section 11. Payment Agreements.

A. General. To the extent and for the purposes permitted from time to time by Chapter 39.96 RCW and other applicable provisions of State law, the City may enter into Payment Agreements with respect to any Parity Bonds, subject to the conditions set forth in this section and in other provisions of this ordinance.

B. Manner and Schedule of Payments. Each Payment Agreement shall set forth the manner in which the Payment Agreement Payments and the Payment Agreement Receipts shall be calculated and a schedule of payment dates.

C. Authorizing Ordinance. Prior to entering into a Payment Agreement, the Council shall pass an ordinance authorizing such agreement and setting forth such provisions as the

Council deems necessary or desirable and are not inconsistent with the provisions of this ordinance.

D. Calculation of Payment Agreement Payments and Debt Service on Junior Lien Obligations with Respect to which a Payment Agreement is in Force. It is the intent of the City, for purposes of the rate coverage requirement set forth in Section 9.A(2) of this ordinance and the Future Parity Bonds test set forth in Section 12.A(5) of this ordinance, that debt service on Parity Bonds with respect to which a Payment Agreement is in force shall be calculated to reflect the net economic effect on the City intended to be produced by the terms of the Parity Bonds and the terms of the Payment Agreement. In calculating such amounts, the City shall be guided by the following requirements:

(1) The amount of interest deemed to be payable on any Parity Bonds with respect to which a Payment Agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in those Parity Bonds plus Payment Agreement Payments minus Payment Agreement Receipts.

(2) For any period during which Payment Agreement Payments are not taken into account in calculating interest on any outstanding Parity Bonds because the Payment Agreement is not then related to any outstanding Parity Bonds, Payment Agreement Payments on that Parity Payment Agreement shall be calculated based upon the following assumptions:

(i) City Obligated to Make Payments Based on Fixed Rate. If the City is obligated to make Payment Agreement Payments based on a fixed rate and the Qualified Counterparty is obligated to make payments based on a variable rate index, payments by the City will be based on the assumed fixed payor rate, and payments by the Qualified Counterparty will be based on a rate equal to the average rate determined by the variable rate index specified by the

Payment Agreement during the fiscal quarter preceding the quarter in which the calculation is made; and

(ii) City Obligated to Make Payments Based on Variable Rate Index. If the City is obligated to make Payment Agreement Payments based on a variable rate index and the Qualified Counterparty is obligated to make payments based on a fixed rate, payments by the City will be based on a rate equal to the average rate determined by the variable rate index specified by the Payment Agreement during the fiscal quarter preceding the quarter in which the calculation is made, and the Qualified Counterparty will make payments based on the fixed rate specified by the Payment Agreement.

Section 12. Future Parity Bonds. The City hereby further covenants and agrees with the owners of the Bonds for as long as any of the same remain outstanding as follows:

A. That it will not issue any bonds with a lien on Net Revenue superior to the lien on such revenues of the Bonds. The City may issue Future Parity Bonds for:

FIRST, the purpose of acquiring, constructing and installing additions and improvements to and extensions of, acquiring necessary equipment for, or making necessary replacements or repairs and capital improvements to the Waterworks Utility, or for any other lawful purpose; or

SECOND, the purpose of refunding or purchasing and retiring at or prior to their maturity any outstanding revenue bonds or other obligations payable out of Gross Revenue; and to pledge that payments be made into the Bond Fund for the payment of the principal thereof and interest thereon out of the Revenue Fund sufficient to pay the principal of and interest on such Future Parity Bonds and to maintain the reserves required therefor, which such payments may rank equally with the payments out of such Revenue Fund into the Bond Fund and the Reserve

Account to pay and secure the payment of the principal of and interest on any Parity Bonds then outstanding, upon compliance with the following conditions:

(1) That at the time of the issuance of such Future Parity Bonds there is no deficiency in the Bond Fund.

(2) If there are Assessments levied in any utility local improvement district in which additions and improvements to and extensions of the Waterworks Utility will be constructed from the proceeds of such Future Parity Bonds, the ordinance authorizing such Future Parity Bonds shall require that such Assessments be paid into the Bond Fund.

(3) If there are assessments pledged to be paid into a warrant or bond redemption fund for revenue bonds or warrants being refunded by Future Parity Bonds, the ordinance authorizing such Future Parity Bonds shall require such assessments to be used for the refunding or paid into the Bond Fund.

(4) The principal of and interest on the Future Parity Bonds shall be payable out of the Bond Fund, and the ordinance authorizing their issuance shall further provide for payments into the Bond Fund to satisfy the Sinking Fund Requirement and payments into a reserve account to satisfy the Reserve Account Requirement, all as required by Section 7 of this ordinance.

(5) Prior to the delivery of any Future Parity Bonds, the City shall have on file in the office of the Finance Director either

(i) a certificate of the Finance Director showing that the Net Revenue determined as hereafter provided for each calendar or fiscal year after the issuance of such Future Parity Bonds will equal at least 1.25 times the Annual Debt Service (after deducting from Annual Debt Service Assessments, allocated to the years in which they would be received if

the unpaid balance of each Assessment roll were paid in the remaining number of installments with interest on the declining balance at the times and at the rate provided in the ordinance confirming the Assessment roll) for each such calendar or fiscal year for all Parity Bonds plus the Future Parity Bonds proposed to be issued. For purposes this certificate, "Net Revenue" shall be the Net Revenue for a period of any 12 consecutive months (which may include amounts withdrawn from the Rate Stabilization Account, as provided in Section 6 of this ordinance) out of the 24 months immediately preceding the date of delivery of such proposed Future Parity Bonds.

(ii) a certificate of a Professional Utility Consultant showing that the Net Revenue determined and adjusted as hereafter provided for each calendar or fiscal year after the issuance of such Future Parity Bonds (the "Adjusted Net Revenue") will equal at least 1.25 times the Annual Debt Service (after deducting from Annual Debt Service Assessments, allocated to the years in which they would be received if the unpaid balance of each Assessment roll were paid in the remaining number of installments with interest on the declining balance at the times and at the rate provided in the ordinance confirming the Assessment roll) for each such calendar or fiscal year for all Parity Bonds plus the Future Parity Bonds proposed to be issued.

The Adjusted Net Revenue shall be the Net Revenue for a period of any 12 consecutive months (which may include amounts withdrawn from the Rate Stabilization Account, as provided in Section 6 of this ordinance) out of the 24 months immediately preceding the date of delivery of such proposed Future Parity Bonds as adjusted by such Professional Utility Consultant to take into consideration changes in Net Revenue estimated to occur under the following conditions for each year after such delivery for so long as any Parity Bonds, including the Future Parity Bonds proposed to be issued, shall be outstanding:

(i) the additional Net Revenue that would have been received if any change in rates and charges adopted prior to the date of such certificate and subsequent to the beginning of such 12-month period, had been in force during the full 12-month period;

(ii) the additional Net Revenue that would have been received if any facility of the Waterworks Utility that became fully operational after the beginning of such 12-month period had been so operating for the entire period; and

(iii) the additional Net Revenue estimated by such Professional Utility Consultant to be received as a result of any additions, betterments and improvements to and extensions of any facilities of the Waterworks Utility that are (a) under construction at the time of such certificate or (b) will be constructed from the proceeds of the Future Parity Bonds to be issued.

Such Professional Utility Consultant may rely upon, and his or her certificate shall have attached thereto, financial statements of the Waterworks Utility certified by the Finance Director showing income and expenses for the period upon which the same is based.

B. Notwithstanding the foregoing requirement, if Future Parity Bonds are to be issued for the purpose of refunding at or prior to their maturity any part or all of the then outstanding Parity Bonds and the issuance of such refunding Future Parity Bonds will result in a debt service savings and does not require an increase of more than \$5,000 in any fiscal or calendar year for principal of and interest on such refunding Future Parity Bonds over and above the amount required in such year for the principal of and interest on the bonds being refunded thereby, the condition stated in subsection A(5) of this section need not be met.

C. Nothing herein contained shall prevent the City from issuing any revenue bonds, warrants or other obligations that are a charge upon the money in the Revenue Fund junior or

inferior to the payments required by this ordinance to be made into the Bond Fund and the Reserve Account.

Section 13. Bonds Deemed to Be No Longer Outstanding. In the event that the City, to effect the payment, retirement or redemption of any Bond, sets aside in the Bond Fund or in another special account, held in trust by a trustee, cash or noncallable Government Obligations, or any combination of cash and/or noncallable Government Obligations, in amounts and maturities that, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Fund for the payment of the principal of and the interest on such Bond. The owner of a Bond so provided for shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive payment from such special account of the principal of, premium, if any, and interest on such Bond, and such Bond shall be deemed not to be outstanding under this ordinance.

Within 30 days of the defeasance of any Bond, the Bond Registrar or escrow agent shall give notice to each registered owner of any Bond so provided for and to the SID, if any, and to each NRMSIR or the MSRB in accordance with Section 23.

Section 14. Form of the Bonds. The Bonds shall be in substantially the following form:

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF WASHINGTON
CITY OF BELLEVUE

WATERWORKS UTILITY REVENUE REFUNDING BOND, 2004

INTEREST RATE:

MATURITY DATE:

CUSIP NO.

REGISTERED OWNER:

PRINCIPAL AMOUNT: _____ DOLLARS

The City of Bellevue, Washington (the "City"), for value received, hereby promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from August 1, 2004, or the most recent date to which interest has been paid or duly provided for until payment of this Bond at the Interest Rate set forth above, payable on October 1, 2004, and semiannually thereafter on the first days of each April and October. The principal of and interest on this Bond are payable solely out of the special fund of the City known as the "Waterworks Utility Revenue Bond Redemption Fund" (the "Bond Fund").

Both principal of and interest on this Bond are payable in lawful money of the United States of America. For so long as the Bonds are held in fully immobilized form, payments of principal and interest shall be made as provided in accordance with the operational arrangements of DTC referred to in the Blanket Issuer Letter of Representations from the City to The Depository Trust Company. In the event that the Bonds are no longer held in fully immobilized form, interest on this Bond shall be paid by check or draft mailed to the Registered Owner at the address appearing on the Bond Register on the 15th day of the month preceding the interest payment date, and principal of this Bond shall be payable upon presentation and surrender of this Bond by the Registered Owner at the principal office of the fiscal agency of the State of Washington in either Seattle, Washington, or New York, New York (collectively the "Bond Registrar").

Principal and interest are payable solely out of the Bond Fund, into which fund the City hereby irrevocably binds itself to pay certain fixed amounts out of the Gross Revenue of the Waterworks Utility, as the same is defined in Ordinance No. _____ of the City (the "Bond Ordinance"), without regard to any fixed proportion, namely, amounts sufficient to pay the principal of and interest on the outstanding Bonds and any additional and/or refunding Waterworks Utility revenue bonds issued on a parity of lien with the Bonds and to accumulate a reserve, all at the times and in the manner set forth in the Bond Ordinance. Reference is made to the Bond Ordinance for definitions of capitalized terms not otherwise defined herein.

This Bond is one of a total issue of \$ _____ par value of the Bonds, all of like date and tenor, except as to maturity, redemption provisions and interest rates, all payable from the Bond Fund and all issued by the City under and pursuant to the laws of the State of Washington and the Bond Ordinance for the purpose of providing funds to refund certain outstanding bonds all as specified in the Bond Ordinance.

[The Bonds are subject to mandatory sinking fund redemption as provided in the Bond Ordinance.]

The Gross Revenue is hereby pledged to the payment of principal of and interest on the Bonds, and the Bonds constitute a charge or lien upon such revenues prior and superior to any other charges whatsoever, excluding charges for Operation and Maintenance Expenses of the Waterworks Utility, and equal to the lien and charge thereon of any Future Parity Bonds. The Bonds are not a general obligation of the City.

The City hereby covenants and agrees with the owners of the Bonds to carry out fully all covenants and meet all obligations of the City as set forth herein and in the Bond Ordinance, and reference is hereby made to the Bond Ordinance for a complete statement of such covenants.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication set forth hereon has been signed by the Bond Registrar.

This Bond is interchangeable for Bonds of any authorized denomination of an equal aggregate principal amount, and of the same interest rate and maturity. This Bond is transferable only upon the registry books of the Bond Registrar by surrender of this certificate to the Bond Registrar, duly assigned and executed as indicated below. Such exchange or transfer shall be without cost to the owner or transferee. The City may deem the person in whose name this Bond is registered to be the absolute owner thereof for the purpose of receiving payment of the principal of and interest on such Bond and for any and all other purposes whatsoever. The Bond Registrar shall not be obligated to transfer or exchange this Bond during the fifteen days preceding any interest payment date or the date on which notice of redemption of such Bond is to be given nor after such notice has been given.

It is hereby certified and declared that the Bonds are issued pursuant to and in strict compliance with the Constitution and laws of the State of Washington and the ordinances of the City and that all acts, conditions and things required to be done precedent to and in the issuance of this Bond have happened, have been done and have been performed as required by law.

IN WITNESS WHEREOF, the City has caused this Bond to be signed by the manual or facsimile signature of its Mayor and attested by the manual or facsimile signature of its City Clerk, and its corporate seal to be impressed or a facsimile thereof imprinted hereon this ____ day of _____, 2004.

[S E A L]

CITY OF BELLEVUE, WASHINGTON

By: _____/s/_____
Mayor

ATTEST:

_____/s/_____
City Clerk

CERTIFICATE OF AUTHENTICATION

Date of Authentication:

This is one of the City of Bellevue, Washington, Waterworks Utility Revenue Refunding Bonds, 2004, dated _____, 2004, described in the Bond Ordinance.

WASHINGTON STATE FISCAL AGENCY
Bond Registrar

By: _____
Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____

Please insert Social Security or Taxpayer identification Number of Transferee

(Please print or type name and address, including zip code of Transferee)
the within bond and does hereby irrevocably constitute and appoint _____,
or its successor, as Bond Registrar to transfer said bond on the books kept for registration thereof
with full power of substitution in the premises.

DATED: _____

SIGNATURE GUARANTEED:

Note: signature(s) must be guaranteed pursuant to law.

NOTE: The signature on this Assignment must correspond with the name of the registered owner as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

Section 15. Execution and Authentication of the Bonds. The Bonds shall be signed on behalf of the City by the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the City Clerk and shall have the seal of the City impressed or a facsimile thereof imprinted thereon.

Only such Bonds as shall bear thereon a Certificate of Authentication in the form hereinbefore recited, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this ordinance.

In case either of the officers who shall have executed the Bonds shall cease to be an officer or officers of the City before the Bonds so signed shall have been authenticated or delivered by the Bond Registrar, or issued by the City, such Bonds may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the City as though those who signed the same had continued to be such officers of the City. Any Bond may also be signed and attested on behalf of the City by such persons as at the actual date of execution of such Bond shall be the proper officers of the City although at the original date of such Bond any such person shall not have been such officer of the City.

Section 16. Lost or Stolen Bonds. In case any Bonds shall be lost, stolen or destroyed, the Bond Registrar may deliver a new bond or bonds of like amount, date, maturity, interest rate, tenor, and effect to the registered owner or nominee thereof upon the owner paying the expenses and charges of the City in connection therewith and upon filing with the Bond Registrar evidence satisfactory to said Bond Registrar that such bond or bonds were actually lost, stolen or destroyed and or ownership thereof, and upon furnishing the City with indemnity satisfactory to both.

Section 17. Sale of Bonds. The Council finds that the competitive bid submitted by the Purchaser and attached hereto as Exhibit B is reasonable and that it is in the best interest of the City that the Bonds shall be sold upon the conditions set forth in the bid, the Notice of Bond Sale, attached hereto as Exhibit A, and this ordinance. The City therefore accepts the bid. The Bonds shall be issued and delivered to the Purchaser upon payment of the purchase price specified in the bid.

Section 18. Official Statement. The Council approves the preliminary official statement presented to the Council at this meeting and authorizes the distribution of the preliminary official statement in connection with the offering of the Bonds. Pursuant to the Rule, the City deems the preliminary official statement as final as of its date except for the omission of information dependent upon the pricing of the Bonds and the completion of the purchase contract. The City agrees to cooperate with the Purchaser to deliver or cause to be delivered, within seven business days from the date of the sale of the Bonds and in sufficient time to accompany any confirmation that requests payment from any customer of the Purchaser, copies of a final official statement in sufficient quantity to comply with paragraph (b)(4) of the Rule and the rules of the MSRB. The City authorizes the Purchaser to use the official statement, substantially in the form of the preliminary official statement, in connection with the sale of the Bonds. The Finance Director and

other appropriate officers of the City are hereby authorized to review and approve on behalf of the City the final Official Statement relative to the Bonds with such additions and changes as may be deemed necessary or advisable to them.

Section 19. Application of Bond Proceeds. The proceeds of the Bonds shall be applied as follows:

- (1) Any accrued interest shall be deposited into the Bond Fund.
- (2) [Reserve Account].
- (3) The amount required to refund the 1991 Bonds and the 1994 Bonds shall be deposited into the Refunding Account and used to accomplish the refunding of the Refunded Bonds in accordance with the provisions of Section 20 of this ordinance.
- (4) Any additional proceeds shall be used by the City to pay costs of issuing the Bonds.

Section 20. Refunding Account; Application of Bond Proceeds There is hereby established a special account or accounts of the City to be maintained with the Escrow Agent (as hereinafter defined) to be known as the "City of Bellevue Waterworks Utility Revenue Bond Refunding Account," (the "Refunding Account"), which accounts shall be drawn upon for the sole purpose of paying the principal of and interest on the Refunded Bonds.

Money in the Refunding Account shall be used immediately upon receipt thereof to defease the Refunded Bonds and discharge the other obligations of the City relating thereto under Ordinance Nos. 4284 and 4678 of the City, by providing for the payment of the principal of and interest on the Refunded Bonds as set forth below. The City shall defease such bonds and discharge such obligations by the use of the money in the Refunding Account to purchase Government Obligations (which obligations so purchased, are herein called "Acquired

Obligations”), bearing such interest and maturing as to principal and interest in such amounts and at such times which, together with any necessary beginning cash balance, will provide for the payment of interest on and principal of the Refunded Bonds due and payable until and on September 17, 2004.

Such Acquired Obligations shall be purchased at a yield not greater than the yield permitted by the Code and regulations relating to acquired obligations in connection with refunding bond issues.

To carry out the refunding and defeasance of the Refunded Bonds, the Finance Director is hereby authorized to appoint as escrow agent a bank or trust company qualified by law to perform the duties described herein (the “Escrow Agent”). Any beginning cash balance and the Acquired Obligations shall be irrevocably deposited with the Escrow Agent in an amount sufficient to defease the Refunded Bonds. Any amounts described above that are not provided for in full by such beginning cash balance and the purchase and deposit of the Acquired Obligations described in this section shall be provided for by the irrevocable deposit of the necessary amount out of the proceeds of sale of the Bonds or any other money of the City legally available therefor with the Escrow Agent. The proceeds of the Bonds remaining in the Refunding Account after acquisition of the Acquired Obligations and provision for the necessary beginning cash balance shall be utilized to pay expenses of the acquisition and safekeeping of the Acquired Obligations. The City may, from time to time, transfer, or cause to be transferred, from the Refunding Account any money not thereafter required for the purpose set forth above or for the payment of expenses. The City reserves the right to substitute other securities for the Acquired Obligations in the event it may do so pursuant to Section 148 of the Code, upon compliance with the conditions set forth in the Escrow Agreement.

Section 21. Redemption of Refunded Bonds. The City hereby irrevocably sets aside sufficient funds through the purchase of Acquired Obligations and an initial cash deposit to make the payment specified in Section 20 above.

The City hereby irrevocably calls for redemption on September 17, 2004, the 1991 Bonds in accordance with the provisions of Section 4.C of Ordinance No. 4284 and hereby irrevocably calls for redemption on September 17, 2004, the 1994 Bonds in accordance with the provisions of Section 3.B. of Ordinance No. 4678.

Said defeasance and call for redemption of the Refunded Bonds shall be irrevocable after the final establishment of the Refunding Account and delivery of the Acquired Obligations and the requisite cash deposit, if any, to the Escrow Agent, except as provided herein relating to the substitution of securities.

The Escrow Agent is hereby authorized and directed to notify the paying agent for the Refunded Bonds to give notice of the redemption of the Refunded Bonds in accordance with the applicable provisions of Ordinance Nos. 4284 and 4678. The Finance Director is authorized and requested to provide whatever assistance is necessary to accomplish such redemption and the giving of notice therefor.

The Escrow Agent is hereby authorized and directed to pay to the fiscal agency or agencies of the State of Washington, as paying agent for the Refunded Bonds, sums sufficient to pay, when due, the payment specified in Section 20 above. All such sums shall be paid from the money and Acquired Obligations deposited with said Escrow Agent pursuant to Section 20 of this ordinance, and the income therefrom and proceeds thereof. All such sums so paid shall be credited to the Refunding Account. All money and Acquired Obligations deposited with the Escrow Agent and any income therefrom shall be held, invested and applied in accordance with

the provisions of this ordinance and with the laws of the State of Washington for the benefit of the City and the owners of the Refunded Bonds.

The City will take such actions as are found necessary to see that all necessary and proper fees, compensation and expenses of the Escrow Agent shall be paid when due. The proper officers and agents of the City are directed to obtain from the Escrow Agent an agreement setting forth the duties, obligations and responsibilities of the Escrow Agent in connection with the redemption and retirement of the Refunded Bonds as provided herein and making provision for payment of the fees, compensation and expenses of such Escrow Agent as may be satisfactory to it. To carry out the purposes of this section of this ordinance, the City Manager or Mayor is authorized and directed to execute and deliver to the Escrow Agent such an escrow agreement in form approved by bond counsel to the City.

Section 22. Finding of Defeasance. The Council hereby finds and determines that the issuance and sale of the Bonds permits the City to comply with covenants contained in the Ordinance Nos. 4284 and 4678 that authorized issuance of the 1991 Bonds and the 1994 Bonds.

The Council hereby also finds and determines that the Acquired Obligations to be deposited with the Escrow Agent and the income therefrom, together with any necessary beginning cash balance, are sufficient to redeem the Refunded Bonds and will discharge and satisfy the obligations of the City under Ordinance Nos. 4284 and 4678 authorizing the issuance of the Refunded Bonds and the pledge of the City therein. Immediately upon the delivery of such Acquired Obligations to the Escrow Agent and the deposit of any necessary beginning cash balance, the Refunded Bonds shall be deemed not to be outstanding under Ordinance Nos. 4284 and 4678 and shall cease to be entitled to any lien, benefit or security under such ordinance except

the right to receive payment from the Acquired Obligations and beginning cash balance so set aside and pledged.

Section 23. Undertaking to Provide Ongoing Disclosure.

A. Contract/Undertaking. This section constitutes the City's written undertaking for the benefit of the owners and beneficial owners of the Bonds as required by Section (b)(5) of the Rule.

B. Financial Statements/Operating Data. The City agrees to provide or cause to be provided to each NRMSIR and to the SID, if any, in each case as designated by the Commission in accordance with the Rule, the following annual financial information and operating data for the prior fiscal year (commencing in 2005 for the fiscal year ended December 31, 2004):

(1) Annual financial statements showing ending fund equity for the Waterworks Utility prepared in accordance with generally accepted accounting principles applicable to government entities (and modified as may be required by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) and generally of the type included in the official statement for the Bonds under the headings "Waterworks Utility — Statement of Net Assets," "Waterworks Utility — "Statement of Revenues, Expenses and Changes in Fund Net Assets" and "Waterworks Utility — Statement of Cash Flows;"

(2) The principal amount of outstanding Parity Bonds; and

(3) Rates for the Waterworks Utility.

Items 2-3 shall be required only to the extent that such information is not included in the information provided pursuant to item 1 above.

Such annual financial information and operating data described above shall be provided on or before nine months after the end of the City's fiscal year. The City's fiscal year currently ends

December 31. The City may adjust such fiscal year by providing written notice of the change of fiscal year to each then existing NRMSIR and the SID, if any. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents provided to the NRMSIRs and the SID, or filed with the Commission and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

If not provided as part of the annual financial information discussed above, the City shall provide the City's audited annual financial statement prepared in accordance with generally accepted accounting principles (and modified as may be required by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute)), when and if available, to each then existing NRMSIR and the SID, if any.

C. Material Events. The City agrees to provide or cause to be provided, in a timely manner, to the SID, if any, and to each NRMSIR or to the MSRB notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (7) Modifications to the rights of Bond owners;

- (8) Optional, contingent or unscheduled calls of any Bonds other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Bonds; and
- (11) Rating changes.

Solely for purposes of disclosure, and not intending to modify this undertaking, the City advises that no property secures repayment of the Bonds. The applicable debt service reserve is the Reserve Account.

D. Notification Upon Failure to Provide Financial Data. The City agrees to provide or cause to be provided, in a timely manner, to each NRMSIR or to the MSRB and to the SID, if any, notice of its failure to provide the annual financial information and operating data described in subsection B above on or prior to the date set forth in subsection B above.

E. Termination/Modification. The City's obligations to provide annual financial information and notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. This section, or any provision hereof, shall be null and void if the City (1) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this section, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (2) notifies each then existing NRMSIR and the SID, if any, of such opinion and the cancellation of this section.

Notwithstanding any other provision of this ordinance, the City may amend this Section 23, and any provision of this Section 23 may be waived, with an approving opinion of nationally recognized bond counsel.

In the event of any amendment or waiver of a provision of this Section 23, the City shall describe such amendment in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under subsection C of this Section 23, and (ii) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

F. Bond Owner's Remedies under this Section. Notwithstanding any other provisions of this ordinance, the right of any Bond owner or beneficial owner of the Bonds to enforce the provisions of this Section 23 shall be limited to a right to obtain specific enforcement of the City's obligations hereunder, and any failure by the City to comply with the provisions of this section shall not be an event of default with respect to the Bonds under this ordinance. For purposes of this Section 23, "Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

Section 24. Separate Utility System. The City may create, acquire, construct, finance, own and operate one or more additional systems for water, sewer or storm water supply, transmission, treatment or other commodity or service. The revenue of that separate utility system shall not be included in the Gross Revenue of the Waterworks Utility and may be pledged to the payment of revenue obligations issued to purchase, construct, condemn or otherwise acquire or expand the separate utility system. Neither the Gross Revenue nor the Net Revenue of the Waterworks Utility shall be pledged by the City to the payment of any obligations of a separate utility system except (1) as a Contract Resource Obligation upon compliance with Section 25 hereof and/or (2), with respect to the Net Revenue, on a basis subordinate to the lien of the Parity Bonds on that Net Revenue.

Section 25. Contract Resource Obligations. The City may at any time enter into one or more contracts or other obligations for the acquisition, from facilities to be constructed, of water, sewer or storm water supply, transmission, treatment or other commodity or service relating to the Waterworks Utility. The City may determine that such contract or other obligation is a Contract Resource Obligation, and may provide that all payments under that Contract Resource Obligation (including payments prior to the time that water, sewer or storm water supply, transmission, treatment or other commodity or service is being provided, or during a suspension or after termination of supply or service) shall be Operation and Maintenance Expenses if the following requirements are met at the time such Contract Resource Obligation is entered into:

(a) The City shall not be in default with respect to any obligations of it under this ordinance.

(b) There shall be on file a certificate of a Professional Utility Consultant stating that (i) the payments to be made by the City in connection with the Contract

Resource Obligation are reasonable for the supply, transmission, treatment or other service rendered; (ii) the source of any new supply, and any facilities to be constructed to provide the supply, transmission, treatment or other service, are sound from a water, sewer or storm water or other commodity supply or transmission planning standpoint, are technically and economically feasible in accordance with prudent utility practice, and are likely to provide supply or transmission or other service no later than a date set forth in the Professional Utility Consultant's certification; and (iii) the Net Revenue as defined in Section 12 (further adjusted by the Independent Consulting Engineer's estimate of the payments to be made in accordance with the Contract Resource Obligation) for the five fiscal years following the year in which the Contract Resource Obligation is incurred, as such Net Revenue is estimated by the Independent Consulting Engineer (with such estimate based on such factors as he or she considers reasonable), will be at least equal to 1.25 times the Annual Debt Service (after deducting Assessments allocated to the years in which they would be received if the unpaid balance of each Assessment roll were paid in the remaining number of installments with interest on the declining balance at the times and at the rate provided in the ordinance confirming the Assessment roll).

Payments required to be made under Contract Resource Obligations shall not be subject to acceleration.

Nothing in this Section 25 shall be deemed to prevent the City from entering into other agreements for the acquisition of water supply, transmission, treatment or other commodity or service from existing facilities and from treating those payments as Operation and Maintenance Expenses of the Waterworks Utility so long as such service is actually being supplied. Nothing in this Section 25 shall be deemed to prevent the City from entering into other agreements for the

acquisition of water, sewer or storm water supply, transmission, treatment or other commodity or service from facilities to be constructed and from agreeing to make payments with respect thereto, such payments constituting a lien and charge on Net Revenue subordinate to that of Parity Bonds.

Section 26. Authorization to Officials and Agents. The proper City officials are hereby authorized and directed to do everything necessary and proper for the prompt issuance, execution and delivery of the Bonds in conformance with the provisions of this ordinance and for the proper use and application of the proceeds of the sale thereof as provided in this ordinance.

Section 27. Supplements and Amendments.

A. The Council from time to time and at any time may adopt an ordinance or ordinances supplementing or amending this ordinance, which ordinance or ordinances thereafter shall become a part of this ordinance, for any one or more or all of the following purposes:

(1) To add to the covenants and agreements of the City in this ordinance other covenants and agreements thereafter to be observed, which shall not adversely affect the interests of the owners of any Parity Bonds in any material respect, or to surrender any right or power herein reserved to or conferred upon the City.

(2) To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this ordinance in regard to such matters or questions as the Council may deem necessary or desirable and not inconsistent with this ordinance and which shall not adversely affect the interests of the owners of any Parity Bonds in any material respect.

(3) To amend or supplement any provision contained in this ordinance for the purpose of obtaining or maintaining a rating on the Bonds so long as such amendment or

supplement is not inconsistent with this ordinance and will not adversely affect the interests of the owners of any Parity Bonds in any material respect.

Any such supplemental ordinance of the Council may be adopted without the consent of the owners of any Parity Bonds at any time outstanding, notwithstanding any of the provisions of subsection B of this section; provided, however, that the City shall obtain an opinion of nationally recognized bond counsel to the effect that such supplemental ordinance complies with this subsection A and will not adversely affect the interests of the owners of any Parity Bonds in any material respect.

B. With the consent of the owners of not less than a majority in aggregate principal amount of the Parity Bonds at the time outstanding, the Council may adopt an ordinance or ordinances supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this ordinance or of any supplemental ordinance; provided, however, that no such supplemental ordinance shall:

(1) Extend the fixed maturity of any Parity Bond, or reduce the rate of interest thereon, or extend the time of payments of interest from their due date, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the owner of each Parity Bond so affected; or

(2) Reduce the aforesaid percentage of owners of Parity Bonds required to approve any such supplemental ordinance, without the consent of the owners of all Parity Bonds then outstanding.

It shall not be necessary for the consent of bondowners under this subsection B to approve the particular form of any proposed supplemental ordinance, but it shall be sufficient if such consent shall approve the substance thereof.

C. Upon the adoption of any supplemental ordinance pursuant to the provisions of this section, this ordinance shall be deemed modified and amended in accordance therewith, and the respective rights, duties and obligations of the City under this ordinance and all owners of Bonds outstanding hereunder shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modification and amendments, and all the terms and conditions of any such supplemental ordinance shall be deemed to be part of the terms and conditions of this ordinance for any and all purposes.

D. So long as the Insurer is not in default of any of its obligations under the Bond Insurance Policy, the Insurer shall be deemed to be the sole Bondowner for the purposes of providing consent where the consent of a majority of Bondowners is required under this Section 27. In situations where the consent of 100% of Bondowners is required, the Insurer shall not be deemed to be the sole Bondowner and all Bondowners shall receive notice of an amendment to the ordinance and no amendment requiring the consent of 100% of Bondowners may be approved without such unanimous consent.

Section 28. Bond Insurance and Reserve Surety Policy. The Council hereby approves the commitment of the Insurer to provide a bond insurance policy guaranteeing the payment when due of principal of and interest on the Bonds (the "Bond Insurance Policy") and a debt service reserve insurance policy to satisfy the Reserve Requirement (the "Reserve Surety Policy"). The Council further authorizes and directs all proper officers, agents, attorneys and employees of the City to cooperate with the Insurer in preparing such additional agreements, certificates, and other documentation on behalf of the City as shall be necessary or advisable in providing for the Bond Insurance Policy and the Reserve Surety Policy.

Section 29. Defaults and Remedies.

29.1 Events of Default. The following shall constitute "Events of Default" with respect to the Bonds:

(1) If a default is made in the payment of the principal of or interest on any of the Bonds when the same shall become due and payable; or

(2) If the City defaults in the observance and performance of any other of the covenants, conditions and agreements on the part of the City set forth in this ordinance or any covenants, conditions or agreements on the part of the City contained in any ordinance authorizing Parity Bonds and such default or defaults have continued for a period of six months after they have received from the Bondowners' Trustee (as defined below) or from the registered owners of not less than 25% in principal amount of the Parity Bonds, a written notice specifying and demanding the cure of such default. However, if the default in the observance and performance of any other of the covenants, conditions and agreements is one which cannot be completely remedied within the six months after written notice has been given, it shall not be an Event of Default with respect to the Bonds as long as the City has taken active steps within the six months after written notice has been given to remedy the default and is diligently pursuing such remedy.

(3) If the City files a petition in bankruptcy or is placed in receivership under any state or federal bankruptcy or insolvency law.

29.2 Bondowners' Trustee. So long as such Event of Default has not been remedied, a bondowners' trustee (the "Bondowners' Trustee") may be appointed by the registered owners of 25% in principal amount of the Parity Bonds, by an instrument or concurrent

instruments in writing signed and acknowledged by such registered owners of the Parity Bonds or by their attorneys-in-fact duly authorized and delivered to such Bondowners' Trustee, notification thereof being given to the City. That appointment shall become effective immediately upon acceptance thereof by the Bondowners' Trustee. Any Bondowners' Trustee appointed under the provisions of this Subsection 29.2 shall be a bank or trust company organized under the laws of the State of Washington or the State of New York or a national banking association. The bank or trust company acting as Bondowners' Trustee may be removed at any time, and a successor Bondowners' Trustee may be appointed, by the registered owners of a majority in principal amount of the Parity Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by such registered owners of the Bonds or by their attorneys-in-fact duly authorized. The Bondowners' Trustee may require such security and indemnity as may be reasonable against the costs, expenses and liabilities that may be incurred in the performance of its duties.

In the event that any Event of Default in the sole judgment of the Bond Trustee is cured and the Bondowners' Trustee furnishes to the City a certificate so stating, that Event of Default shall be conclusively deemed to be cured and the City, the Bondowners' Trustee and the registered owners of the Parity Bonds shall be restored to the same rights and position which they would have held if no Event of Default had occurred.

The Bondowners' Trustee appointed in the manner herein provided, and each successor thereto, is declared to be a trustee for the registered owners of all the Parity Bonds and is empowered to exercise all the rights and powers herein conferred on the Bondowners' Trustee.

29.3 Suits at Law or in Equity. Upon the happening of an Event of Default and during the continuance thereof, the Bondowners' Trustee may, and upon the written request of

the registered owners of not less than 25% in principal amount of the Parity Bonds outstanding shall, take such steps and institute such suits, actions or other proceedings, all as it may deem appropriate for the protection and enforcement of the rights of the registered owners of the Parity Bonds, to collect any amounts due and owing to or from the City, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in this ordinance or in any of the Parity Bonds.

Nothing contained in this Section 29 shall, in any event or under any circumstance, be deemed to authorize the acceleration of maturity of principal on the Parity Bonds, and the remedy of acceleration is expressly denied to the registered owners of the Parity Bonds under any circumstances including, without limitation, upon the occurrence and continuance of an Event of Default.

Any action, suit or other proceedings instituted by the Bondowners' Trustee hereunder shall be brought in its name as trustee for the Bondowners and all such rights of action upon or under any of the Parity Bonds or the provisions of this ordinance may be enforced by the Bondowners' Trustee without the possession of any of those Parity Bonds and without the production of the same at any trial or proceedings relative thereto except where otherwise required by law. Any such suit, action or proceeding instituted by the Bondowners' Trustee shall be brought for the ratable benefit of all of the registered owners of those Parity Bonds, subject to the provisions of this ordinance. The respective registered owners of the Parity Bonds, by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Bondowners' Trustee the true and lawful trustee of the respective registered owners of those Parity Bonds, with authority to institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on account of those Parity Bonds; to execute any paper or

documents for the receipt of money; and to do all acts with respect thereto that the registered owner himself or herself might have done in person. Nothing herein shall be deemed to authorize or empower the Bondowners' Trustee to consent to accept or adopt, on behalf of any registered owner of the Parity Bonds, any plan of reorganization or adjustment affecting the Parity Bonds or any right of any registered owner thereof, or to authorize or empower the Bondowners' Trustee to vote the claims of the registered owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the City is a party.

29.4 Application of Money Collected by Bondowners' Trustee. Any money collected by the Bondowners' Trustee at any time pursuant to this Section 29 shall be applied in the following order of priority:

(i) first, to the payment of the charges, expenses, advances and compensation of the Bondowners' Trustee and the charges, expenses, counsel fees, disbursements and compensation of its agents and attorneys; and

(ii) second, to the payment to the persons entitled thereto of all installments of interest then due on the Parity Bonds in the order of maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

(iii) third, to the payment to the persons entitled thereto of the unpaid principal amounts of any Parity Bonds which shall have become due (other than Parity Bonds previously called for redemption for the payment of which money is held pursuant to the provisions hereto), whether at maturity or by proceedings for

redemption or otherwise, in the order of their due dates and, if the amount available shall not be sufficient to pay in full the principal amounts due on the same date, then to the payment thereof ratably, according to the principal amounts due thereon to the persons entitled thereto, without any discrimination or preference.

29.5 Duties and Obligations of Bondowners' Trustee. The Bondowners' Trustee shall not be liable except for the performance of such duties as are specifically set forth herein. During an Event of Default, the Bondowners' Trustee shall exercise such of the rights and powers vested in it hereby, and shall use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. The Bondowners' Trustee shall have no liability for any act or omission to act hereunder except for the Bondowners Trustee's own negligent action, its own negligent failure to act or its own willful misconduct. The duties and obligations of the Bondowners' Trustee shall be determined solely by the express provisions of this ordinance, and no implied powers, duties or obligations of the Bondowners' Trustee shall be read into this ordinance.

The Bondowners' Trustee shall not be required to expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers as the Bondowners' Trustee, except as may result from its own negligent action, its own negligent failure to act or its own willful misconduct.

The Bondowners' Trustee shall not be bound to recognize any person as a registered owner of any Bond until his title thereto, if disputed, has been established to its reasonable satisfaction.

The Bondowners' Trustee may consult with counsel and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it

hereunder in good faith and in accordance with the opinion of such counsel. The Bondowners' Trustee shall not be answerable for any neglect or default of any person, firm or corporation employed and selected-by it with reasonable care.

29.6 Suits by Individual Bondowners Restricted. Neither the registered owner nor the beneficial owner of any one or more of Parity Bonds shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of same unless:

- (i) an Event of Default has happened and is continuing; and
- (ii) a Bondowners' Trustee has been appointed; and
- (iii) such owner previously shall have given to the Bondowners' Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted; and
- (iv) the registered owners of twenty-five percent (25%) in principal amount of the Parity Bonds, after the occurrence of such Event of Default, has made written request of the Bondowners' Trustee and have afforded the Bondowners' Trustee a reasonable opportunity to institute such suit, action or proceeding; and
- (v) there have been offered to the Bondowners' Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and
- (vi) the Bondowners' Trustee has refused or neglected to comply with such request within a reasonable time.

No registered owner or beneficial owner of any Parity Bond shall have any right in any manner whatever by his action to affect or impair the obligation of the City to pay from the Net

Revenue the principal of and interest on such Parity Bonds to the respective owners thereof when due.

29.7 Payment Solely From Net Revenue and Certain Funds. Nothing in this Section 29 shall be deemed to require payment to Bondowners from any source other than the Net Revenue and money and investments in the funds pledged in Section 7 of this ordinance.

Section 30. Severability. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements shall be null and void and shall be deemed separable from the remaining covenants and agreements of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds.

Section 31. Ratification. Any action consistent with the authority but prior to the effective date of this ordinance is hereby ratified and confirmed.

Section 32. Effective Date. This ordinance shall take effect five days after its passage, approval and publication as required by law.

PASSED by the Council of the City of Bellevue, Washington at a regular open public meeting of the Council on _____, 2004 and signed in authentication of its passage this ____ day of _____, 2004.

[S E A L]

CITY OF BELLEVUE, WASHINGTON

MAYOR

APPROVED AS TO FORM:

CITY ATTORNEY

ATTEST:

MYRNA L. BASICH, CITY CLERK

PUBLISHED: _____

CERTIFICATE

I, the undersigned, City Clerk of the City of Bellevue, Washington, (the "City") and keeper of the records of the City Council (the "Council"), DO HEREBY CERTIFY:

1. That the attached ordinance is a true and correct copy of Ordinance No. _____ of the Council (the "Ordinance"), duly passed at a regular meeting thereof held on the _____ day of _____, 2004.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a quorum was present throughout the meeting and a legally sufficient number of members of the Council voted in the proper manner for the passage of said Ordinance; that all other requirements and proceedings incident to the proper passage of said Ordinance have been duly fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 2004.

City Clerk

EXHIBIT A

Official Notice of Bond Sale

EXHIBIT B

Winning Bid

CITY COUNCIL STUDY SESSION ITEM

SUBJECT: Crossroads Community Center Expansion Update.

FISCAL IMPACT: This status report has no fiscal impact.

STAFF CONTACT: Patrick Foran, Parks & Community Services Director (5377)
Glenn Kost, Division Mgr, Planning, Design & Project Mgmt (5258)
Pam Fehrman, Project Manager (4326)

POLICY CONSIDERATION

The *Comprehensive Plan*, Parks, Open Space and Recreation Element, states:

- ◆ Goal #4: "To develop, operate, and maintain parkland and cultural and recreation facilities in a manner that is responsive to the site and the needs of the community."
- ◆ Goal #5. To modify existing parks and recreation facilities as needed to ensure safety, accessibility, and optimum use of resources.

DIRECTION NEEDED FROM COUNCIL

<u> </u>	Action
<u> X </u>	Discussion
<u> X </u>	Information

No action is requested at this meeting, we look forward to hearing your input.

THE PROJECT PROPOSAL

We are looking forward to updating the Council on our progress towards the expansion of the Crossroads Community Center and projected timeline for construction completion. The expansion of the Crossroads Community Center is an element of the Council-adopted (1998) master plan, part of the approved 2003-2009 CIP budget, and funded in part with a grant from the State Legislature. Council approved the architectural and engineering contract in April of this year.

The Crossroads Community Center is located within Crossroads Community Park, one of the City's most popular parks. The 35-acre park is centrally located within a dense commercial and multi-family neighborhood. The Crossroads neighborhood is one of the most densely populated, ethnically diverse and economically challenged neighborhoods within the City of Bellevue.

The Community Center offers a variety of recreation and human service classes and programs that serve the needs of children, teenagers, families, and seniors. The Center is also available for meetings, social gatherings, parties, and gym use for up to 200 guests. The community has outgrown the current 15,000 square foot facility that was originally built in 1978. Expanding the Center by approximately 3,000-4,000 square feet will provide needed educational, cultural, and social activity space; non-programmed community meeting space; and administrative work space.

We have been meeting with staff and the public to help determine and prioritize programming and building improvements to best serve the Community now and in the future. We will share the results of our programming effort and schematic design solutions.

PROJECT TIMELINE

- ◆ Design Development – July-August 2004
- ◆ Construction Documents and Permitting – August-January 2004
- ◆ Construction – Spring/Summer 2005
- ◆ Grand Opening – Fall 2005

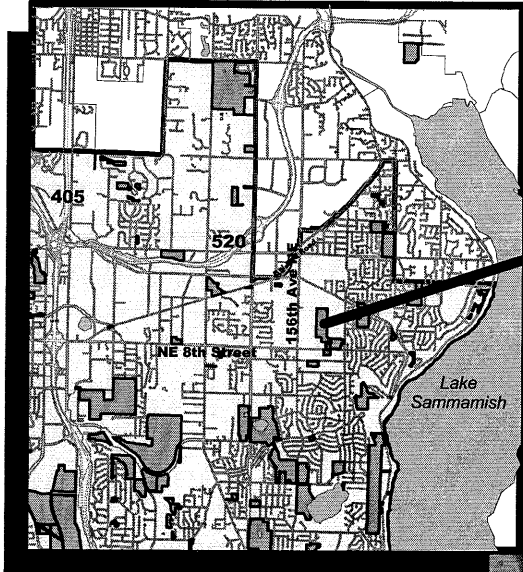
ATTACHMENTS

- ◆ Crossroads Community Park Vicinity Map
- ◆ CIP Project Description: P-AD-58, Crossroads Park and Community Center (2003-2009)



Crossroads Community Park

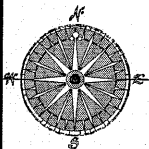
Vicinity Map



Crossroads Park



Project: Crossroads Community Center Expansion



Crossroads Community Center
Crossroads Community Park

SS 2-108

2003-2009 Adopted CIP: Park Acquisition & Development

CIP PLAN NUMBER: P-AD-58

CIP FUND/PROJECT NUMBER: 3680-824

PROJECT NAME: Crossroads Park and Community Center

PROJECT LOCATION: Crossroads Superblock – Park land north of NE 8th Street and west of 164th Avenue NE

DEPT/PROGRAM: Parks & Community Services/Planning, Design & Project Management

STATUS: Approved and Begun

ACTUAL/ESTIMATED START DATE: 1998

ESTIMATED COMPLETION DATE: 2005

PROJECT DESCRIPTION/SCOPE: Phase Two development of Crossroads Park will include, as part of the approved master plan, an addition to the community center to accommodate additional educational, cultural, and social activity space; non-programmed community meeting space; and administrative work space. Phase Two construction also includes a new picnic shelter, pathways and parking improvements.

PROJECT JUSTIFICATION/BENEFITS: The Crossroads neighborhood is the most ethnically and culturally diverse in Bellevue. The area is also one of the most densely populated. As identified in the *Parks and Open Space System Plan*, additional developed, usable open space is needed in the Crossroads area. Crossroads Park development is listed in the system plan as a short- and long-term capital recommendation. The development of the recently acquired land will make the valuable City property usable by the community for a variety of active and passive recreation and make the existing park site more visible to the community by completing the park frontage along NE 8th Street. In addition, the existing community center at Crossroads can no longer meet the needs of the community. Additional educational, cultural, social activity, and non-programmed community meeting space is needed, as well as additional administrative work space.

ENVIRONMENTAL IMPACTS: Overall environmental impacts are minimal. Following park development, traffic at the park site will likely be less than the pre-existing traffic conditions due to the conversion from commercial uses to park uses, although the community center expansion will likely create additional traffic in the area of the center. A traffic analysis will be required prior to development. Temporary impacts include some vegetation removal, grading, and noise and dust associated with construction.

PROJECT BUDGET:

\$000

	Through 2002	2003	2004	2005	2006	2007	2008	2009	2003-2009 Total	Project Total
TOTAL CAPITAL COST:	2,912	150	1,226	552					1,928	4,840
REVENUE:										
Sale of Bid Specs	1									1
Gen CIP Revenue	666									666
REET	2,245	150	1,226	552					1,928	4,173
TOTAL REVENUE	2,912	150	1,226	552					1,928	4,840
M&O COSTS:		9	9	154	158	162	167	171		

Capital Costs Beyond 2009: NA



Phone: 452-5377

Date: May 31, 2004

To: Bryce Seidl, President & CEO
Pacific Science Center

From: Patrick Foran, Director
Parks & Community Services Department

Subject: Memorandum of Understanding: Mercer Slough Environmental Education Center

This Memorandum of Understanding between the City of Bellevue and the Pacific Science Center states the vision, focus, project description, and conceptual design of the Education Center. It also outlines the roles of the City and Pacific Science Center regarding ownership, funding, design and construction, operation and management, and phasing.

I. VISION

The Education Center will become the heart of Mercer Slough Nature Park. It will be a facility available to the public, and the focal point for educational activities with the Slough. It will provide regional appeal with a range of programs and facilities to support awareness and learning.

II. FOCUS

The Education Center will provide a place for interpretation, education, and research of freshwater ecosystems, wetland ecology, effects of urban development, and local habitat for species such as salmon. It is the keystone of interpretive facilities and programs for the City of Bellevue, and it is the East Side focal point for the Pacific Science Center, an independent, not-for-profit educational foundation.

III. PROJECT DESCRIPTION

The Mercer Slough Environmental Education Center will be an educational "village" of classrooms, a Visitors Center and a Multipurpose Building connected by covered walkways and courtyards. From this "village," trails will radiate out into the surrounding Mercer Slough Nature Park. The facilities and activities presented at the Education Center will provide a base of information and operations for the outdoor education opportunities for both the City of Bellevue and the Pacific Science Center.

IV. ABBREVIATIONS

PSC - Pacific Science Center
The City - City of Bellevue
EEC - Environmental Education Center
JUA- Joint Use Agreement

SS 2-110

V. CONCEPTUAL DESIGN

The project will include three or four structures totaling approximately 12,000 square feet and associated site features:

Visitors Center & Restrooms Building*

- ♦ Exhibits providing education and information about Bellevue's heritage of environmental stewardship and its programs and services
- ♦ Women's and men's restroom facilities
- ♦ Audio/Visual technology stations and equipment

Multi-purpose Meeting Room*

- ♦ Large open space with views of Slough
- ♦ Used as meeting and/or classroom space
- ♦ Movable seating and non-sloping floor
- ♦ Kitchenette

* These two building elements might be combined if it results in overall project savings and still accomplishes the design program goals for these spaces.

Classrooms Building with Wet Labs

- ♦ Two classrooms allowing for flexible use of the space(s) for large or small groups
- ♦ Locker and storage space
- ♦ Restrooms with shower
- ♦ Two wet labs
- ♦ Mud room
- ♦ Outdoor deck

Additional Classroom Building

- ♦ Two classrooms allowing for flexible use of the space(s) for large or small groups
- ♦ Office

Site Features

- ♦ Bus drop-off and new parking spaces
- ♦ Use of existing 15 parking spaces
- ♦ Trail connections to parking and Slough
- ♦ Amphitheater and Courtyards
- ♦ Kiosks and signage
- ♦ Walkways

VI. OWNERSHIP

- A. The City maintains ownership of the land and buildings.
- B. PSC owns, operates, and maintains equipment and supplies specific to PSC programs.
- C. The City owns, operates, and maintains exhibit area and equipment.

MOU: Environmental Education Center

VII. FUNDING

- A. Funds are raised by both the City and PSC and designated for Mercer Slough Environmental Education Center's planning and construction.
- B. The City will provide the land and \$1 million to the planning and construction of the EEC.
- C. \$3.0 million of Federal Housing and Urban Development (HUD) funds have been obtained and are dedicated to the planning and construction of EEC project.
- D. The PSC has further secured approximately \$637,000 in corporate donations and pledges that are dedicated to the planning and construction of the EEC of which \$437,000 have been expended for pre-development and fundraising costs. PSC has no further obligation regarding raising additional contributions for EEC. If the City determines that more funds are needed to construct the project, PSC will cooperate with the City in any fundraising efforts.

VIII. PHASING

If there are insufficient funds to proceed with the full development plan, a phased approach will be taken. At a minimum, phase one will include:

- ♦ One classroom building for the exclusive use by PSC which will include
 - Bathroom facilities for 60 campers/students
 - Two classrooms with sinks, counters and storage for 24 campers/student each
 - Office space for up to eight people with a resource area
 - Storage areas with square footage equivalent to that at PSC's current Mercer Slough location
 - Outdoor sink
 - Nearby retention pond
- ♦ An additional one or two buildings that provide sufficient square footage to accomplish the City's program goals for both the Visitors Center and the Multipurpose buildings
- ♦ All site features necessary to support the operation of phase one of the EEC.

However, in order for phase one to proceed, PSC and City agree that the overriding principle is that the parties will work cooperatively to ensure that the minimum needs for success of each party will be met with the available funds.

In addition, PSC will retain the exclusive right for seven (7) years, following the opening of the EEC, to proceed with the second classroom building under the same terms as this agreement. If after seven (7) years the PSC has not proceeded with the second classroom the City may, at its sole discretion, proceed to construct and operate the classroom alone or with another partner or modify the plan to utilize the space for purposes appropriate to the mission of the EEC.

MOU: Environmental Education Center

IX. TERM

- A. This Agreement will terminate the earlier of the signing of the JUA or 18 months from the date of this Agreement.
- B. The JUA shall be for a term of twenty (20) years.
- C. At the expiration of the twenty (20) year term, the Pacific Science Center and the City may, with mutual agreement, extend the JUA for up to two additional five (5) year terms.

X. SIGNAGE & RECOGNITION

By mutual agreement, the City and PSC will develop a permanent signage and recognition program that features PSC and the City as founders and partners in the vision for the EEC. In addition, the City and PSC will develop a recognition program that acknowledges individual and corporate donations through appropriate methods based on the relative level of contribution. This would include a permanent acknowledgement of the contribution from Puget Sound Energy.

The City and PSC will jointly develop a public relations strategy regarding the development and construction of the project. No press releases, advertising or marketing of the EEC will occur without the express approval of both the City and PSC.

XI. DESIGN & CONSTRUCTION

The City will be responsible for the Planning, Design, Permitting, Environmental Determinations and Construction of the EEC.

A design team consisting of PSC, the City and consultants will work cooperatively to complete the design of the EEC. The City will have final authority for the overall site and facility design. PSC will have final authority for design of the structures and area to be programmed by PSC with the exception of building massing and selection of exterior building materials.

XII. OPERATION & MANAGEMENT

A. Facility

The City has overall management responsibility for the park and the EEC with the exception of spaces allocated for exclusive use by PSC. PSC will control and have exclusive use of the Classroom building(s). The City will control and have exclusive use of the remainder of the EEC except that PSC may utilize other public meeting spaces within the EEC on a priority basis after City requirements, and scheduled according to City reservation and pricing policies. It is understood that PSC will vacate the Sullivan House operation once the EEC is operational and PSC starts to utilize the classroom building(s).

B. Programs & Exhibits

Programming will have a community-wide focus, attracting users from Bellevue and beyond. PSC will provide programs with a focus on environmental education and natural sciences, related to the ecology of this region. The City programs and exhibits

MOU: Environmental Education Center

will be complementary and focus on natural and cultural interpretation and also provide visitor information on the City of Bellevue and the Bellevue park system.

C. Maintenance

The City will be responsible for the maintenance, utilities, normal repair and replacement of the building and site infrastructure and building systems.

The City will be responsible for the basic, ongoing janitorial services necessary to keep the overall site and the EEC, including the classroom building(s), safe, clean, and sanitary for public use. PSC acknowledges and agrees that the City may require that PSC be responsible for some day to day cleaning and light janitorial responsibilities arising out of their use of the EEC. The specific responsibilities will be identified in the JUA.

PSC shall reimburse costs incurred by the City to repair or replace facilities, normal wear and tear excluded, or equipment damaged during programs managed by PSC, or that arise out of requests by PSC over and above basic general maintenance and operations of the EEC.

D. Additional Partners

The City and PSC may collaborate with additional partners. Prior to implementing a new partnership each party will consult with and inform the other party of the potential partnership. PSC may not sub-lease or assign its rights under this agreement without the consent of the City.

XIII. JOINT USE AGREEMENT

Prior to the opening of the EEC the parties will develop a Joint Use Agreement. The JUA will include provisions that define operations procedures and policies for the management of the EEC. The City will explore the feasibility of utilizing its' new registration system to assist the PSC in the registration for PSC programs.

It is the intent of the JUA to provide a coordinated approach to program delivery that preserves the identity of each organization, while creating a seamless service delivery model for the public. The JUA will ensure access while optimizing revenue and reducing operational costs for both parties.

IX. REDIRECTION OF HUD FUNDS

If the environmental permitting process has not commenced by the first quarter of 2005, the City and PSC will work cooperatively to reassess the projects viability and evaluate project alternatives that may include redirecting HUD grants to other projects of both the City and PSC.

PACIFIC SCIENCE CENTER

CITY OF BELLEVUE

Bryce Seidl
President & CEO

Date

Steve Sarkozy
City Manager

Date

SS 2-114